AN ANALYSIS OF ASSET GROWTH PROFITABILITY AND CAPITAL STRUCTURE EFFECT THROUGH RISK ON PRICE TO BOOK VALUE (PBV) IN BANKING COMPANIES, INDONESIA

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ABSTRACT: *A company is an organization that combines and organizes resources in order to produce goods and or services for sale. The asset growth has a negative and significant impact on the risk level of banking institutions in Indonesia. This means that if an average increase in asset growth will lower the risk level of banking institutions in Indonesia, on the contrary Asset Growth has a positive and insignificant effect on Corporate Value (PBV). This means that if an increase in asset growth will lead to an increase in the value of the banking institution in Indonesia but not significant.*

KEYWORDS: Economy; Banking Company; Risk; Capital

INTRODUCTION

In order to meet the company's funding needs, the managers of the company must make funding decisions both internally and externally. The source of external funds of the company from the debt will incur capital costs in the form of interest charged by the creditor. Meanwhile the use of internal fund resources will create an opportunity cost of the capital that is used. Thus, the company must be able to determine the optimal capital composition. Another important indicator that affects the firm value is market risk. This risk occurs in the balance sheet position and administrative account resulting from the changes or movements of market variables such as interest rates, foreign exchange rates, stocks and commodities (Masdar, 2008).

The market risk proxyed against beta is a fluctuation of return of a stock to the market return. The higher the beta, the higher the market risk will be. This gives the option to engage in debt in its capital structure because the risk of using debt is safer compared to issueing the new shares.

Table 1: Average Price to Book Value (PBV), Return on Assets (ROA), Assets Growth and Debt to Equity Ratio (DER) of Banking Companies in 2011-2015

Year	PBV (x)	ROA (%)	Assest Growth (%)	DER (x)
2011	2.10	3.02	21,4	8.50
2012	1.92	3.18	16,7	8.30
2013	1.67	3.04	16,2	8.06
2014	1.52	3.01	17,8	8.20
2015	1.50	3.00	17,6	8.10

Source: Data processed, 2015

Table 1 explains that the value of PBV which is a proxy of company value, indicates the decrease progressively. The decline in PBV values during 2011 to 2005 was due to several

indicators that also declined, such as ROA, asset growth and DER. It is recorded that the PBV value of banking companies listed on the BEI in 2011 amounted to 2.10 until the end of 2015 PBV value of 1.50. ROA is a proxy of profitability which shows a relatively stable value and tend to decrease, whereas the ROA of banking companies listed on the BEI in 2011 was 3.02 percent and at the end of 2015 the value of ROA was 3.00 percent, but in 2012 ROA has increased compared to the value of ROA in 2011, from 3.02 percent in 2011 to 3.18 percent in 2012. This condition is different from the value of PBV in the same year, where the value of PBV decreased in 2012, from 2.10 in 2011 to 1.92 in 2012. This is contrary to the theory that profitability (ROA) positively influences the firm value (PBV) (Sudarma in Nofrita, 2009). Hermuningsih (2013) conducted a research by using profitability, growth opportunity and capital structure that have positive and significant influence to the firm value. The data presented in Table 1.1 indicates the conformity with the results of the study. During the last five years the average value of companies proxied by the average PBV has decreased from year to year. With a fairly stable ROA percentage, the asset growth and DER declined as well.

The above description shows that profitability can reflect the advantages of financial investment, which means the profitability affect the value of the company Profitability ratios indicate the success of the company in generating profit. While Sriwardany (2006) found that the growth of the company has a direct and positive influence on stock price changes that will increase the stock price.

LITERATURE REVIEW

Firm Value

Salvatore (2005) in his book "Managerial Economy in the Global Economy" explains that a company is an organization that combines and organizes resources in order to produce goods and or services for sale. The company exists because it would be extremely inefficient and costly for employers to enter and contract with workers and owners of capital, land and other resources for each separate stage of production and distribution. On the other hand, entrepreneurs typically enter into large, long-term contracts with labor to perform various tasks with certain wages and other benefits. The company exists to save the cost of such transactions. By internalizing the various transactions, the company can also save on sales taxes and avoid price controls and government regulations that apply only to inter-company transactions.

The firm value is the perception of investors to the success rate of the company that is closely related to the share price (Sujoko and Soebiantoro, 2007). High stock prices make the value of the company also high, and increase market confidence not only to the company's current performance but also on the prospects of the company in the future. The price of shares used generally refers to the closing price, and is the price that occurs when the stock is traded in the market (Fakhruddin and Hadianto, 2001), In assessing the stock value of the company, there are three important types of valuation. The assessment is an assessment of book value, market value and intrinsic value (Jogiyanto in Alicia, 2013). The company value can be measured by price to book value (PBV), which is the ratio between stock price and book value per share (Brigham and Gapenski, 2006). Meanwhile, according to Suad (2001) in Doni (2012), the greater the value of PBV the higher the company is assessed by the investors relative compared with the funds that have been invested in the company. Ang (1997) formulated PBV as follows:

$$BV = \frac{\text{Share price per share}}{\text{Price to Book Value}} \, X \, 100$$

Another related indicator is the book value per share, which is the ratio of capital (common equity) to the number of shares outstanding (Fakhruddin and Hadianto, 2001). In this case, PBV can be interpreted as a result of comparison between the stock market price with the book value of shares. High PBV will increase market confidence in the company's prospects and indicate high shareholder wealth (Soliha and Taswan, 2002). PBV can also mean a ratio that indicates whether the traded stock price is overvalued (above) or undervalued (below) the value of the share book (Fakhruddin and Hadianto, 2001).

Bank as a Business Entity

Bank is an intermediary institution that collects funds from the community and then channeled back to the community in the form of credit. The Bank has an important role as a driver of the economy and facilitates economic growth. At the macroeconomic level of banks is a tool in determining monetary policy while at the micro level of the bank's economy is the main source of financing for business actors. The right capital structure policy in the banking company is needed to support the bank's operational activities. The capital structure policy is a policy that involves an optimal combination of the use of various sources of funds to be used to finance an investment and also to support the company's operations in an effort to increase the company's profit in order to achieve high corporate value (Gitman in Siringiringo, 2012). The capital structure of financial firms, including banks, is fundamentally different from non-financial corporations, due to different business characteristics or operational activities. In addition, the bank must have a buffer in accordance with the minimum core capital provision or regulation determined by the monetary authority in this case the central bank, in order to protect its depositors' funds (Saunders, 2008).In the perspective of banking management, debt in relation to capital structure becomes the main source of funds for banks derived from third party funds (DPK), thereby the role of debt for banks is very large. The use of debt from public funds becomes an incentive tool for managers to work more carefully in order to avoid the threat of bankruptcy risks and to maintain public confidence in the bank. DPK is also categorized as this debt that makes DER banking companies higher than with companies engaged in other fields.

Profitability

Return on Assets (ROA) is one of the profitability ratios that measure the effectiveness of the company in generating the profit from the assets used. The higher the ROA, the more the company's operational is efficient and vice versa, the low ROA can be caused by the many assets of the unemployed company, the investment in excess inventory, the excess of paper money, the fixed assets operate below normal and so decreasing the profitability of the company. Profitability is the end result of a number of company management policies and decisions (Brigham and Gapenski in Ria, 2013). Mathematically, ROA can be formulated as follows:

$$ROA = \frac{profit \; before \; tax}{total \; assets \; of \; company}$$

Both the investor and the creditor use the earnings information to measure the success of management performance and measure the future earnings predictions. Profitability can give

an idea how the performance of management in managing a company. Profitability can reflect the advantages of financial investment, meaning that profitability affects the firm's value due to an ever-increasing internal source (Sudarma in Nofrita, 2009). Profitability ratio shows the company's success in generating profit.

Asset Growth

Asset growth is a growth opportunity for a company in the future (Mai, 2006). Growth is expressed as total asset growth where the past asset growth will reflect profitability and growth that comes (Taswan, 2003). Growth can be an increase or decrease in total assets experienced by the company within a certain period. Asset growth is calculated as a percentage change of assets at a certain time against the previous year (Saidi, 2004). Sriwardany (2006) found that the company growth has a direct and positive influence on stock price changes. This means that information about the growth of the company responded positively by investors, so that it will increase the stock price. This stock price will affect the value of the company.

The value of a firm formed through an indicator of the market value of the stock is heavily influenced by investment opportunities. The existence of investment opportunities can provide a positive signal about the company's growth in the future, so as to increase the value of the company. The higher asset growth will provide an opportunity to earn the higher profits in the future. This will certainly give a positive effect on the value of the company. Thus Asset growth will have a positive effect on the firm value.

2Capital Structure

The capital structure is the balance between the amount of long-term debt and the equity or capital owned by the company (Riyanto, 2001 in Kartika (2009)). The capital structure is included that is the decision to choose the source of financing to meet the needs of corporate spending. According to Brigham and Weston (1994), the optimal capital structure of an enterprise is a combination of debt and equity that maximizes the firm's stock price. The ratio that compares the total debt to equity is often called Debt to Equity Ratio (DER). This ratio measures how far the company is financed by debt, where the higher this ratio illustrates symptoms that are less good for the company. Increased debt will in turn affect the size of the net profit available to shareholders including dividends received because its obligation to repay the debt takes precedence over the dividend distribution (Sartono, 2001). Total debt includes the current liabilities and the long-term liabilities.

DER reflects the company's ability to pay or fulfill its obligations with its own capital. The greater the DER value indicates that the greater the capital structure derived from the debt used to finance existing equity. As Warren et al (2005) state that the smaller the DER ratio, the better the firm's ability to survive in poor conditions. The small DER ratio indicates that the company is still able to fulfill its obligations to creditors. This shows that the smaller the DER ratio the better the company's financial performance. The greater the value of DER indicates that the capital structure of the business is more use of debt relative to equity. The higher DER represents a relatively high corporate risk, consequently investors tend to avoid stocks that have high DERs (Ang, 1997).

The DER formula according to Brealey (2001) in Suharli (2005) is as follows:

$$DER = \frac{Total\ Debt}{Total\ Equity}$$

The structure of capital is closely related to stock prices, this is because one of the elements that make up the stock price is the perception of investors on the performance of the company, and capital structure is one of the elements that determine both the poor performance of the company, because the capital structure will determine the sources of financing and expenditures made by the company for its operational activities. Related to the market, the three determinants of capital structure, Brigham and Houston (2001) identified the market conditions, internal conditions of the company and financial flexibility. The conditions in stock markets and bond markets that undergo both short and long term changes will greatly affect the optimal capital structure of the company. Meanwhile, the internal conditions also affect the targeted capital structure. Finally, maintaining financial flexibility, when it is viewed from an operational point of view means maintaining adequate reserve capacity, and this will affect the choice of capital structure that is considered optimal for the company.

RESEARCH METHODOLOGY

The scope of research

The focus of this study is on the analysis of the effect of profitability, asset growth, capital structure and risk to corporate value in banking companies in Indonesia.

Types and Data Sources

The type of data according to the form used in this study is quantitative data. The data sources in this study used secondary data published by the Financial Services Authority (OJK), Bank Indonesia (BI) and Central Bureau of Statistics (BPS). This study uses pooled data (data panel) that is by combining data from 2006 - 2015 (N = 10) over 5 (five) banking companies in Indonesia (T = 5). So the number of data in this research is N X T = 10 X 5 equal to 50. The 5 (five) banking institutions are:

1. Bank Negara Indonesia 46 (BNI 46)

2. Bank Rakyat Indonesia (BRI)

3. State Savings Bank (BTN)

4. Bank Mandiri

5. Indonesian Cooperative Bank (Bukopin).

Definition of Operational Variable

Some operational definitions of variables in this study have the following limits:

a. Company value is measured by the price to book value (PBV), which is the ratio of stock price to book value per share calculated in index unit,

b. Profitability is the ability of a company to generate profit or profit during a period as measured from Return on Asset, in units of percent,

c. Asset growth is a future growth opportunity of a company as measured by asset growth, in percentage units,

d. Capital Structure is the balance between the amount of long-term debt with equity or own capital owned by the company, calculated in the index unit,

e. Risk is the risk on the balance sheet position and the administrative account of a derivative transaction due to changes in market conditions, in percentage units.

Analysis Method

By viewing the data used in this study is panel data, then to test the hypothesis the model of Fixed Securities and Random Effects (Greene, 2000) are used. The explanation of the model of Fixed Securities and Random Effects is as follows:

Fixed Effect Model

The basic rationale that each individual observation has its own characteristics, this model allows for an unstable intercept for each individual. But this model has a drawback where general estimates are not produced because there is no general intercept or constants to represent all individuals. In Fixed Effects the differences between the individuals are reflected by the intercept or constants, but on the Random Effects method the differences are accommodated by the error terms of each individual. This method has the advantage of eliminating heteroscedasticity if it exists. The determination of this model is whether the Fixed Effect or Random Effect is based on Hausman's test of specification model following the X2 distribution. The hypothesis used is:

H_0 : The random estimator is consistent

H_1 : The random estimator is not consistent

If H_0 is received, it means that the Random Effects model is better used than the Fixed Effects model, and vice versa. H0 is accepted/ rejected if:

X_2 hit $< X_2$ tab means H0 accepted,

X_2 hit $> X_2$ tab means H0 is rejected.

The value of X_2 hit or Hausman value (H) is obtained from the difference of coefficient and covariance values between the two methods. The statistical formulation of the Hausman test is as follows (Greene, 2000):

H = (bFE – bRE) 1 [cov (bFE) – cov (bRE)] -1 (bFE – bRE)

Where

bFE   = The estimation coefficient matrix of the Fixed Effect model

bRE   = The estimation coefficient matrix of the Random Effects model

cov (bFE) = The covariance matrix of the estimator coefficient of the Fixed Effect model

cov (bRE) = The covariance matrix of the estimator coefficient of the Random Effects model

This Hausman test statistic follows a chi-square distribution with degree of freedom where *k* is the number of independent variables. If the Hausman statistic value is greater than its critical value, then the appropriate model is the Fixed Effect. Similarly, if the Hausman statistic value

is smaller than the critical value, then the right model is the Random Effect model. Furthermore, the secondary data processing and the application of the three methods above will use the staticytic (software) program Eviews version 7.0

Data Analysis Technique

The analysis instrument used in the path analysis model refers to four models, namely:

1. Multiple regression model. It is a model that uses several independent variables (exogenous) with one or more dependent variables (endogenous).

2. Mediation model through an intermediate variable. It is a model that uses several independent variables, intermediate variables and endogenous variables,

3. Combined model between the first and the second model,

4. Complex model which used more than one independent variable (exogenous), intermediate variable and dependent variable (endogenous)

The model is built with a simple linear regression equation system that is constructed into two simple linear regression models. (1) The first model illustrates the influence of Profitability (ROA), Asset Growth (GO) and Capital Structure (DER) against Risk (RISK) of banking companies listed on the Indonesia Stock Exchange (IDX); (2) The second model illustrates the influence of Profitability (ROA), Growth of Assets (GO), Capital Structure (DER) and risk (RISK) on Bank Value (PBV) of banks listed on the Indonesia Stock Exchange (IDX); The simple linear regression equation that is built is as follows:

1) The effect of Profitability (ROA), Asset Growth (GO) and Capital Structure (DER) on Risk (RISK) of banking companies listed on Indonesia Stock Exchange (IDX).

$$RISK_{it} = \alpha_0 + \alpha_1 ROA_{it} + \alpha_2 GO_{it} + \alpha_3 DER_{it} + \varepsilon_{it}$$

2) The Influence of Profitability (ROA), Asset Growth (GO), Capital Structure (DER) and risk (RISK) on Bank Value (PBV) of banks listed on the Indonesia Stock Exchange (IDX).

$$PBV_{it} = \alpha_0 + \alpha_1 ROA_{it} + \alpha_2 GO_{it} + \alpha_3 DER_{it} + \alpha_4 RISK_{it} + \varepsilon_{it}$$

Note:

$\alpha_0, \partial_0, \beta_0$	= coefficient of constants
$\alpha_1, \partial_1, \beta_1, \beta_2, \beta_3, \beta_4$	= parameter coefficients
ε_t	= error term
PBV	= Firm Value
RISK	= Firm Risk
ROA	= Profitability
GO	= Asset Growth
DER	= Capital Structure

DISCUSSION

The estimation results of the Company Value (PBV) model of banking institutions in Indonesia are presented in table 2 using OLS method as follows:

Table 2 : Estimation Result of the Company Value Model

Dependent Variable: LOG(PBV?)
Method: Pooled Least Squares
Date: 09/03/17   Time: 18:12
Sample: 2006 2016
Included observations: 11
Cross-sections included: 5
Total pool (balanced) observations: 55

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.201071	0.419912	7.623186	0.0000
ROA?	0.483925	0.052755	9.173055	0.0000
GO?	0.000149	0.006496	0.022979	0.9818
DER?	-0.036859	0.016265	-2.266207	0.0278
RISK?	0.092058	0.015082	6.103900	0.0000
R-squared	0.830051	Mean dependent var		5.471240
Adjusted R-squared	0.816456	S.D. dependent var		0.928019
S.E. of regression	0.397583	Akaike info criterion		1.079680
Sum squared resid	7.903596	Schwarz criterion		1.262165
Log likelihood	-24.69120	Hannan-Quinn criter.		1.150248
F-statistic	61.05169	Durbin-Watson stat		0.906795
Prob(F-statistic)	0.000000			

Source: Processed With EViews 6.0

The estimation result of the model of Corporate Value of banking institution presented in table 4.5 above can be made the following linear equation:

$$PBV = 3.201071 + 0.483925\ (ROA) + 0.000149\ (GO) - 0.036859\ (DER) + 0.092058\ (RISK)$$

From the model of estimation result, the DW statistic value equals to 0.906795. With the independent variable = 4, the number of samples n = 55, and at $\alpha = 0.05$, then the *dl* value = 0.779 and the *du* value = 1,900.

Multicollinearity Test

The multicolinerarity test uses VIF and Tolerence. To calculate the VIF and Tolerence the independent variable correlation matrix first is determined as shown in Table 4.6. An increasingly large VIF value indicates an increasingly serious multicolinearity problem. The rule used is if the VIF is greater than 10 and greater than 0.90 then the variable has high cholinearity.

Table 3: Variable Correlation Matrics

Variable	ROA	GO	DER	RISK
ROA	1	-0.02432	0.416882	-0.32598
GO	-0.02432	1	-0.02721	-0.25376
DER	0.416882	-0.02721	1	-0.75114
RISK	-0.32598	-0.25376	-0.75114	1

Tabel 4: VIF Value of Free Variable

Variabel	ROA	GO	DER	RISK
ROA	0	1.000592	1.210347	1.118897
GO	1.000592	0	1.000741	1.068826
DER	1.210347	1.000741	0	2.294674
RISK	1.118897	1.068826	2.294674	0

From the VIF value of the correlation of the independent variables in Table 4.6 and Table 4.7 there is no variable in which VIF value is greater than 10, that is, that all the independent variables examined there is no multicollinearity problem.

Normality test

Normality test can be seen on the value of Jarque-Bera Test on the estimation result of each model. In Company Value Model, normality test results is obtained Jarque-Bera value and probability value of each variable are presented in Table 5.

Table 5: Jarque-Bera Value and Probability of PBV Model

	RESID_PBV	RESID_ROA	RESID_GO	RESID_DER	RESID_RISK
Jarque-Bera	0.499830	0.499830	0.499830	0.499830	0.499830
Probability	0.778867	0.778867	0.778867	0.778867	0.778867

The table 5 above shows the Jarque-Bera value of each variable of the Company Value model and the probability value of each variable in each model used which is greater than $\alpha = 0.05$ which means the residual of each model is normally distributed or fulfill the assumption normality.

Model Conformity Test Results

From result of regression of equation of company value (PBV) obtained F-Statistic value 61.05169 with probability F-statistic equal to 0,000000 less than $\alpha = 1\%$, 5% and 10%. This means that together Profitability (ROA), Asset Growth (GO), Capital Structure (DER) and Risk (RISK) have a significant effect on the value of banking companies in Indonesia with 95% confidence level.

The R^2 lies between 0 and 1. R^2 equals 1, meaning the independent variables explain 100 percent of the dependent variable variations. Conversely, if R^2 equals 0, it means that the independent variables in the model do not explain the slightest variation of the dependent variable. The model is said to be better if R^2 is closer to 1 (Gujarati: 99). From result of

regression of company value model obtained by value of $R^2 = 0,830051$ which means that the magnitude of direct influence (direct effect) variable Profitability (ROA), Asset Growth (GO), Capital Structure (DER) and Level of Risk (RISK) to Company Value (PBV) banking institutions in Indonesia amounted to 83.01% while the rest of 16.99% explained by other variables outside the model used in this study.

Partial test is also called the test of significance (test of significance). Partial test results of each model are as follows:

1. The Productivity (ROA) in Corporate Value (PBV) with t-statistics of 9.173055 and with a t-statistical probability of 0.0000 smaller than $\alpha = 0.05$ which means the influence of ROA on PBV significantly positive with a confidence level of 95 percent.

2. The Growth of Assets (GO) in Corporate Value (PBV) with t-statistics of 0.022979 and with a t-statistical probability of 0.9818 greater than $a = 0.05$ which means the effect of GO on PBV is not significantly positive with the level of confidence by 95 percent.

3. The Capital Structure (DER) in Company Value (PBV) with t-statistics of -2.266207 and with a t-statistic probability of 0.0278 is smaller than $\alpha = 0.05$ which means the effect of DER on PBV is negatively significant with the level of confidence by 95 percent.

4. Risk Level (RISK) in Corporate Value (PBV) with t-statistics of 6.103900 and with a t-statistical probability of 0.0000 smaller than $\alpha = 0.05$ which means the RISK effect on PBV is significantly positive with a level of confidence of 95 percent.

From the estimation of the model used, the risk level model that explains the effect of profitability variable, asset growth and model structure to risk level variable, while in the company value model explain the effect of profitability variable, asset growth and model structure and variable of risk level directly to variable the value of the company. In addition, the estimates of both models will explain the total effect of profitability variables, asset growth and capital structure and the level of risk to firm value. The amount of direct effect of profitability (ROA), Asset Growth (GO) and Capital Structure (DER) and Risk (RISK) to Company Value (PBV) are as follows:

1. ROA $\longrightarrow$ PBV = 0.483925

2. GO $\longrightarrow$ PBV = 0.000149

3. DER $\longrightarrow$ PBV = -0.036859

4. RISK $\longrightarrow$ PBV = 0.092058

Graphocally, it can be figured the big effect directly of profitability variable (ROA), Asset Growth (GO) and Capital Structure (DER) as well as Risk Level (RISK) on the Firm Value (PBV) as follows:

Figure 4.6 Direct Influence of ROA, GO, DER and RISK

against the Company Value (PBV)
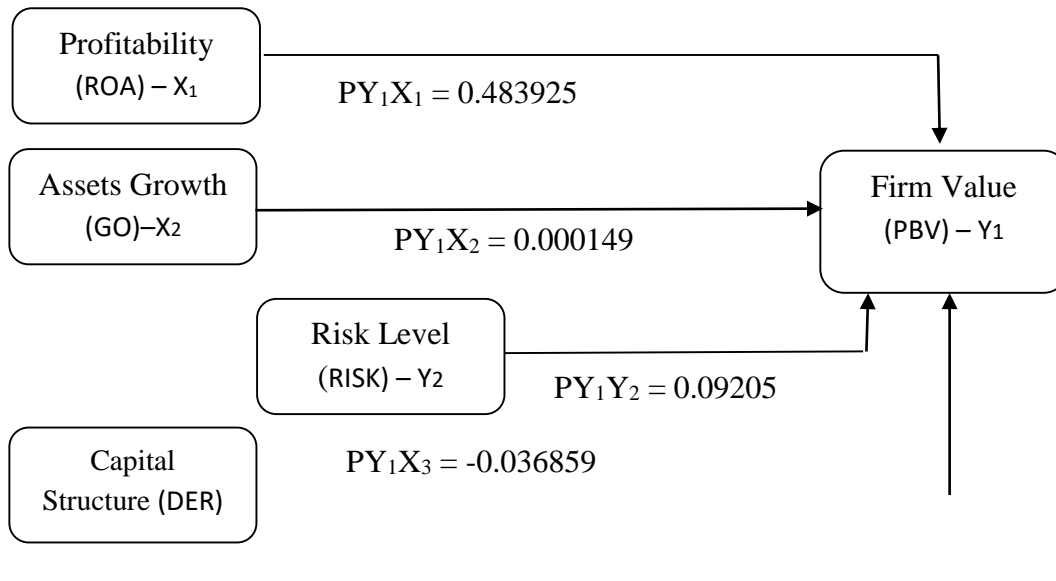
While the indirect effect of profitability variable (ROA), Asset Growth (GO) and Capital Structure (DER) through Risk Level (RISK) to Company Value of PBV are as follows:

Figure 1. Indirect Influence ROA, GO, DER Through RISK

Against the Company Value (PBV)
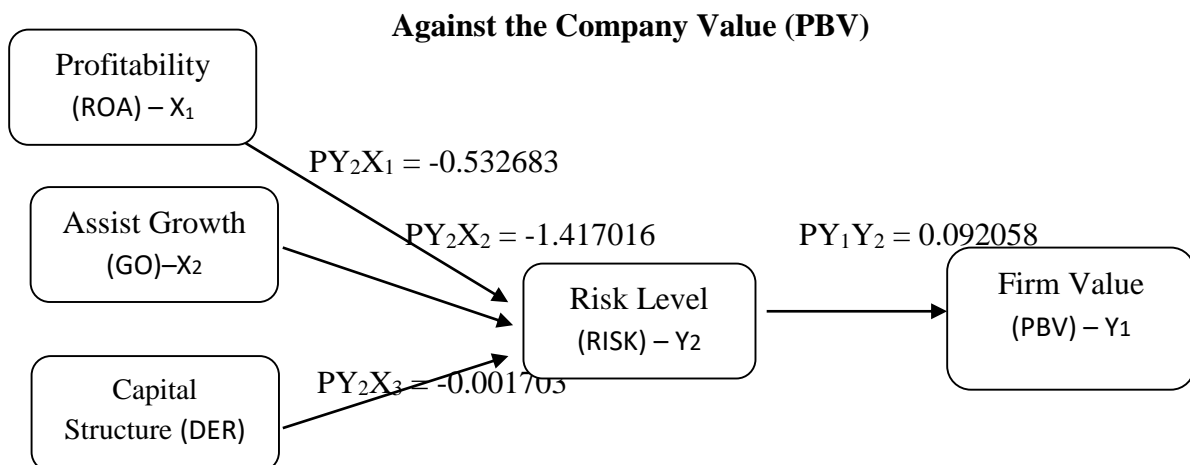
From figure 1 is described with the following model:

ROA (X_1) through RISK (Y_2) on PBV (Y_1) $=$ $PY_2X_1 * PY_1Y_2$

$=$ $(-0.532683) * (0.092058)$

	=	-0.04904
GO (X_2) through RISK (Y_2) on PBV (Y_1)	=	$PY_2X_2 * PY_1Y_2$
	=	$(-1.417016) * (0.092058)$
	=	-0.13045
DER (X_3) through RISK (Y_2) on PBV (Y_1)	=	$PY_2X_3 * PY_1Y_2$
	=	$(-0.001703) * (0.092058)$
	=	-0.00016

ROA (X_1) → RISK (Y_2) ⟶ PBV(Y_1) = -0.04904

GO (X_2) → RISK (Y_2) ⟶ PBV (Y_1) = -0.13045

DER (X_3) → RISK (Y_2) ⟶ PBV (Y_1) = -0.00016

The total relationship of ROA (X1), GO (X2), DER (X3) through RISK (Y2) to Company Value (Y1) is as follows

Figure 2

Indirect Influence ROA, GO, DER through RISK against PBV
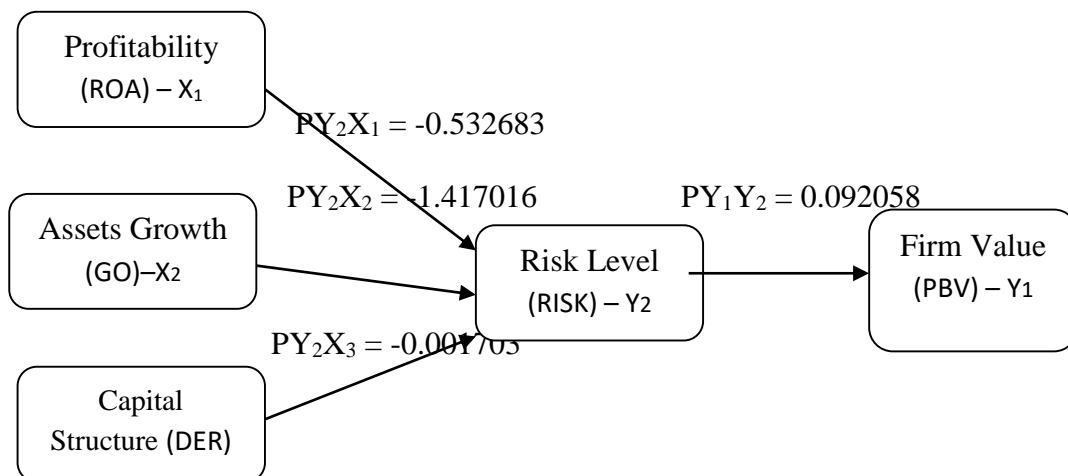
From 2 it is interpreted with the following model:

Total Relationship ROA (X1) through RISK (Y_2)
on PBV (Y_1)

	=	$PY_2X_1 + PY_1Y_2$
	=	$(-0.532683) + (0.092058)$
	=	-0.44062
GO (X_2) through RISK (Y_2) on PBV (Y_1)	=	$PY_2X_2 + PY_1Y_2$
	=	$(-1.417016) + (0.092058)$
	=	-1.32496

$$\text{DER } (X_3) \text{ through RISK } (Y_2) \text{ on PBV } (Y_1)$$
$$= PY_2X_3 + PY_1Y_2$$
$$= (-0.001703) + (0.092058)$$
$$= 0.09036$$

ROA $(X_1) \longrightarrow$ RISK (Y_2) $\longrightarrow$ PBV $(Y_1) = -0.44062$

GO $(X_2) \longrightarrow$ RISK (Y_2) $\longrightarrow$ PBV $(Y_1) = -1.32496$

DER$(X_3) \longrightarrow$ RISK (Y_2) $\longrightarrow$ PBV $(Y_1) = 0.09036$

From the results of the above estimation, it can be concluded as follows:

1) Profitability

Profitability and Level of Risk in total have a negative effect on Corporate Value with coefficient of 0.44062. This means that if a profit increase of 1% will cause a decline in the Company's Value by 0.44% in Indonesia.

2) Asset Growth

Asset Growth and Level of Risk in total have a negative effect on Corporate Value with coefficient of 1.32496. This means that if an increase in Asset Growth by 1% will lower the Company's Value by 1.32% in Indonesia.

3) Capital Structure

Capital Structure and Level of Risk in total have a positive influence on Corporate Value with coefficient of 0.09036. This means that if there is a 1% increase in Capital Structure it will increase the Company's Value by 0.090% in Indonesia.

The overall the estimation results can be described and explained according to the variables used in this study, as follows:

Profitability

The profitability has a negative and significant influence on the risk level of banking companies in Indonesia. This means that if an increase in profitability will cause a decrease in the risk level of banking institutions in Indonesia and vice versa if a decline in profitability will lead to an increased risk of corporate banking institutions in Indonesia. On the contrary, Profitability has a positive and significant influence on Value of Banking Company in Indonesia. This means that if an increase in Profitability will lead to an increase in the value of the company's banking institutions in Indonesia.

Asset Growth

The asset growth has a negative and significant impact on the risk level of banking institutions in Indonesia. This means that if an average increase in asset growth will lower the risk level of banking institutions in Indonesia, on the contrary Asset Growth has a positive and insignificant effect on Corporate Value (PBV). This means that if an increase in asset growth will lead to an increase in the value of the banking institution in Indonesia but not significant. This condition can also be explained that the company's assets in this case banking institutions, not only used and used to improve company performance as measured from the value of the company itself,

but company assets are used also to maintain and cope with corporate financial problems. In this case is exemplified by banking institutions of Bukopin, where in 2008, the growth of assets of these banking institutions dropped to below zero percent.

CONCLUSION

Profitability-Risk Level and Asset Growth - Risk Level totally have a negative effect on the value of the banking companies in Indonesia. Meanwhile, the Capital Structure - The Risk Level totally have a positive influence on the value of banking companies in Indonesia. The estimation result shows that the profitability variable has the biggest influence directly compared with indirectly. Meanwhile, the asset growth variable and the capital structure have the biggest influence indirectly.

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