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The Influence of Profitability and Price Earning Ratio on Company Value through Capital Structure in the Banking Industry Sector on the Idx

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ABSTRACT: The purpose of this study was to examine and analyze the effect of profitability and price earning ratio on company value through capital structure in the banking industry sector on the IDX. This research is explanatory through hypothesis testing to test the causal relationship between the variables of profitability, price earning ratio, company value and capital structure. The data used in this research is secondary data from annual report data and financial report data of banking companies. The sampling method used purposive sampling. Hypothesis testing in this study uses path analysis.

The results showed that profitability did not support the increase in the capital structure of the banking industry sector on the Indonesia Stock Exchange, and the price earning ratio did not support the capital structure of the banking industry sector on the Indonesia Stock Exchange. Then, profitability supports an increase in the value of the banking industry sector company on the Indonesia Stock Exchange and the price earning ratio does not support an increase in the value of the banking industry sector company on the Indonesia Stock Exchange, the capital structure does not support an increase in the value of the banking industry sector company on the Indonesia Stock Exchange, and there is no support mediation between profitability and price earning ratio to company value through capital structure, so that capital structure cannot be an intermediary from profitability and price earning ratio to company value.

KEYWORDS: Profitability, Price Earning Ratio, Company value, Capital Structure.

INTRODUCTION

Everything related to banks, including institutions, business activities as well as methods and processes in carrying out their business activities is banking. Meanwhile, the business entity that collects funds from the public in the form of savings and distributes it to the public in the form of credit and or other forms in order to improve the standard of living of the people at large is a bank (Law Number 10 of 1998). From this understanding, it can be concluded that business entities engaged in finance and their activities are always related to financial problems are banks. In spurring economic development towards improving the welfare of the people, the role of the banking sector is very important. The banking sector is also a means of transmitting monetary policy, in addition to its role in the administration of payment traffic and its function as an intermediary institution. Any changes that occur in the banking sector will have an impact on other sectors is the cause of the large role of the banking sector.

According to Hamid (2017) in (kompasiana.com, 2018) the monetary crisis experienced by Indonesia since 1997-1998 was marked by a drastic weakening of the rupiah exchange rate, this was caused by internal and external factors. Even Southeast Asia also experienced a monetary crisis, from this it was able to turn the Indonesian economy into a slump, because the banking sector was very dependent on the exchange rate position because their transactions used foreign currencies. This has an impact on companies that exist in the country, especially in the banking sector. With the drastic weakening of the rupiah exchange rate, this further worsened the condition of the national economy.

According to Kristanto (2018), Head of Research and Strategy of PT Danareksa Sekuritas in (beritasatu.com, 2018) the growth of the sector will be influenced by global and domestic economic sentiment. The banking sector, Danareksa Sekuritas, predicts that credit distribution in 2019 can grow 12.8 percent with a positive catalyst for interest rate subsidies in 2019, which is budgeted at Rp. 16.6 trillion. The Composite Stock Price Index (JCI) until the end of this year will be in the range of 6,275–6,553. Meanwhile, in 2019 it could reach the level of 7,000 if the stability of economic growth and the rupiah could be maintained. The JCI movement also always has a direction in every democratic party. If the election is smooth and peaceful, it can build investor confidence. The government will also prioritize populist policies, especially increasing consumption, including social spending and subsidies.

According to Lienandjaja of 13 banks, six reported earnings in line with consensus expectations, four reported above, and three failed. If we take a closer look, the bottom line of the rate of the four banks (BMRI, BBRI, BBCA, and BBNI) is well in line with consensus expectations, varying 97–104% from the FY18 forecast. Second-tier banks (PNBN, BNGA, BNLI, and BJBR) recorded positive earnings surprises, attributed to the following: 1) lower than expected fees provision; 2) stronger non-interest income growth; and 3) a profit that is greater than the expected contribution from the subsidiary. Meanwhile BBTN, BDMN, and BJTM showed below-estimated results due to higher provision costs for the preparation of IFRS 9 for BBTN and higher operational costs for BDMN and BJTM.

The following is an attachment to the researcher's data on the price book value table from 23 companies in the banking industry sector as follows:

No	Share Code	2015	2016	2017	2018	2019
1	AGRO	0.82	4.10	3.02	1.51	1.63
2	BBHI	1.16	0.64	1.03	1.62	1.69
3	BBMD	2.82	2.25	1.87	1.88	1.86
4	BBNI	1.19	1.19	1.83	1.58	1.52
5	BBRI	2.49	2.04	2.68	2.57	2.54
6	BBTN	0.99	1.02	1.75	1.16	1.24
7	BBYB	2.66	3.01	2.62	1.88	1.76
8	BCIC	1.42	1.43	0.94	2.79	2.76
9	BDMN	0.90	0.98	1.70	1.79	2.12
10	BEKS	1.83	5.45	4.07	4.67	4.63
11	BINA	1.91	1.37	4.72	3.16	2.75
12	BJBR	0.94	3.41	2.30	1.74	1.96
13	BKSW	1.05	0.00	1.02	0.97	0.98
14	BMAS	1.82	2.07	1.50	1.40	1.18
15	BMRI	1.81	1.77	2.20	1.95	1.86
16	BNII	0.74	1.24	0.86	0.66	0.78
17	BNLI	0.60	0.54	0.81	0.80	1.29
18	BSIM	0.97	1.78	2.86	1.07	1.63
19	BTPN	1.01	0.97	0.84	1.08	1.13
20	BVIC	0.35	0.38	0.71	0.59	0,217
21	DNAR	0.59	1.23	1.38	1.33	1.46
22	MEGA	1.98	1.44	1.78	2.68	2.62
23	NISP	0.89	1.24	0.99	0.83	0.87
Average		1.35	1.72	1.89	1.73	1.77

Source: (IDX data processed, 2020)

Based on the data listed in the 2015-2019 price book value table for the banking industry sector that has been processed in 2020, it can be seen that the price book value in the banking industry sector varies and fluctuates. From the table, it can be seen that there are 15 of the 23 banking industry sectors whose values are below 2, namely BBHI, BBNI, BBTN, BCIC, BDMN, BKSW, BMAS, BMRI, BNII, BNLI, BSIM BTPN, BVIC, DNAR and NISP this means the company's stock price banks in the market cannot reach 2 (two) times their book value. So it can be concluded that this is very contradictory to the existence of banks for the community because the value of the banking industry sector is very low in the community. Because banking is a financial industry that is very well known and is also widely used by people in Indonesia, but the price book value has a low value, this is clearly a phenomenon. Therefore, it is clear that this raises many questions that are raging in the community or among economic observers in Indonesia.

The average price book value of the banking industry sector in 2015-2019 above can be seen that the average price book value of companies from 2015 to 2019 fluctuated and the value did not exceed 2. From this figure it can be described that in from 2015 to 2017 the company's price book value has increased or increased successively from 1.35 to 1.72 and then from 1.72 to 1.89. Likewise, the increase or increase in the average price book value in the banking industry sector has not yet been able to pass 2, which means that the average price book value in the banking industry sector listed on the Indonesia Stock Exchange has not been able to penetrate 2 times the company's book value. . Meanwhile, in 2017 to 2018 the average price book value of the banking industry sector decreased from 1.82 to 1.73 compared to the previous year. Then in the following year, 2018 to 2019, the average price book value in the banking industry sector increased again from 1.73 to 1.77. This can be an indication of the amount of public trust in the banking world. The higher the value of the company, it can be said that the higher the public trust in the industry or company. Research on company value as proxied by price book value has been done before. The results of the research are also different, this shows that there is a research gap regarding the effect of profitability, investment decisions and funding decisions on company value.

Factors that are often used in measuring company value include Tobin's q and price book value. Tobin's q value is the ratio between market value added to the value of debt to assets owned by the company. The higher the Tobin's q ratio, it can be concluded that the company is more capable and has succeeded in creating value for its shareholders, while the price book value is the ratio of the market price per share and book value per share, a company that measures the value given by the financial market to management and the organization of the company as a company that continues to grow. The lower the price book value means the lower the stock price relative to the book value, on the contrary, the higher the stock price indicates that a growing company can be judged by the company's stock price. The high stock price illustrates the high value of the company. In this study, company value as the dependent variable was measured using price book value.

One of the ratios that have an influence on company value is return on assets as a proxy for profitability. Return on assets is the company's ability to generate profits by utilizing its assets (Ramadhani, Akhmadi and Kuswantoro, 2018). Return on assets is the ratio of the comparison between net income to total assets owned by the company (Brigham and Hosuton, 2018: 140). Return on assets has advantages over other profitability ratios, one of which is because it is able to measure the efficiency of the overall use of capital, which is sensitive to every thing that affects the state of the company.

This is supported by research conducted by Cahyono, Surasni and Hermanto (2019), Rosikah, et al. (2018), Nopiyanti and Darmayanti (2016) and Salim and Susilowati (2019), state that profitability has a significant positive effect on company value. This study is not in line with the research of Pratama and Wiksuana (2018), profitability has a significant negative effect on company value.

One of the ratios that has an influence on company value so that it can be used for investment decision making is the price earning ratio (Devianasari and Suryantini, 2015). This ratio is seen by investors as a measure of the company's ability to generate profits in the future. The most common calculation of the price earning ratio is to use a comparison between price per share and earnings per share.

This is supported by research conducted by Nopiyanti and Darmayanti (2016) and Firdaus (2019) which states that the price earning ratio has a positive and significant effect on company value. This contradicts the results of research conducted by Devianasari and Suryantini (2015) which shows that the price earning ratio has an insignificant negative effect on company value.

One of the ratios that have an influence on company value so that it can be used for decision making is the debt to equity ratio as a proxy for capital structure (Devianasari and Suryantini, 2015). This ratio is useful for knowing the amount of funds provided by the borrower (creditor) with the owner of the company. In other words, this ratio serves to determine each rupiah of own capital that is used as collateral for debt. An increase in the debt to equity ratio will affect the value of the company, if investors think that companies that have a lot of debt will have the opportunity to use their capital for development in the hope that the more the company develops, the more benefits the company will attract so that it will attract investors to buy shares, so that it will increase. stock price then the value of the company will also increase.

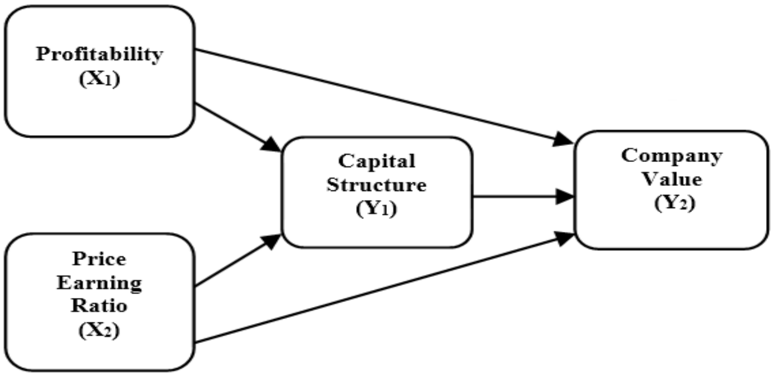
This is supported by research conducted by Nazir and Agustina (2018), Hilal and Samono (2019), Hirdinis (2019), and Burhanuddin, Widiyanti and Taufik (2019), which states that the results obtained are that the debt to equity ratio has a significant positive effect on the value of the company. This study is not in line with the research of Lubis, Sinaga and Sasongko (2017) and Sukoco (2013) because the debt to equity ratio has a negative and insignificant effect on company value.

RESEARCH METHODS

Research Design

Based on the research objectives, this research is explanatory through hypothesis testing to test the causal relationship between the variables of profitability, price earning ratio, company value and capital structure. The data used in this study is secondary data from annual report data and financial statement data of banking companies from 2015 to 2019. The data used is taken from www.idx.co.id regarding annual reports and financial reports.

The data analysis method used is descriptive analysis method and path analysis. Descriptive analysis is used to analyze data by describing or describing the data that has been collected as it is without intending to make generalizations. Data processing is carried out by determining the size of data concentration and data distribution, such as the average value, median, mode, maximum value, minimum value, range, standard deviation, and data variance (Eka and Ridwan, 2015). Descriptive statistics are intended to provide an overview of the distribution and behavior of the sample data, while path analysis is used to test hypotheses in order to obtain a direct or indirect causal relationship between profitability, price earning ratio, company value and capital structure. The following is a picture of the conceptual framework of the research:



Method of Collecting Data

Documentary data is the type of data used in research, namely in the form of research journals, scientific magazines, letters, minutes of meeting results, company annual reports, and others (Razak, et al, 2012). The types of data in this study are in the form of annual reports and financial statements of the banking industry sector listed on the Indonesia Stock Exchange for the 2015-2019 period.

Sugiyono (2009) defines secondary data as sources that do not directly provide data to data collectors, for example through other people or through documents. The data used in this study is secondary data, namely data that is already available and collected by other parties, namely from the official website www.idx.co.id, as well as other information sourced from literature and other information related to this research. In this study, the data was obtained by downloading the required data from the official website of the Indonesia Stock Exchange. The data that has been obtained is then analyzed to form a systematic research result.

Population and Sample

According to Sugiyono (2013) population is a generalization area consisting of: objects/subjects that have certain qualities and characteristics determined by researchers to be studied and then drawn conclusions. So the population is not only people, but also objects and other natural objects. Population is also not just the number of objects/subjects studied, but includes all the characteristics/properties possessed by the subject/object.

The population in this study is the banking industry sector which is listed on the Indonesia Stock Exchange which is accessed on the website www.idx.co.id in 2015-2019, which totals 38 companies. According to Sugiyono (2013) the sample is part of the number and characteristics possessed by the population. If the population is large, and it is not possible for the researcher to study everything in the population, for example due to limited funds, manpower, and time, the researcher can use samples taken from that population. What is learned from the sample, the conclusions will be applicable to the population. For this reason, samples taken from the population must be truly representative.

The sampling technique in this study was carried out using purposive sampling method. The purposive sampling method according to Sugiyono (2013) is a sampling technique with certain considerations. Purposive sampling method is sampling based on the suitability of characteristics with the specified sample criteria in order to obtain a representative sample.

DATA ANALYSIS METHOD

a. Descriptive Analysis

Descriptive statistical data analysis is used to analyze data by describing or describing the data that has been collected as it is without the intention of making generalizations. Data processing is carried out by determining the size of data concentration and data distribution, such as the average value (mean), median, mode, maximum value, minimum value, range, standard deviation, and data variance (Eka and Ridwan, 2015). Descriptive statistics are intended to provide an overview of the distribution and behavior of the sample data.

b. Path Analysis

Path analysis model is a tool used to analyze the pattern of relationships between variables with the aim of knowing the direct and indirect effects of a set of independent variables (exogenous) on the dependent variable (endogenous). Path analysis is also an analytical technique used to analyze the inherent causal relationship between variables arranged in a temporary order by using the path coefficient as a value in determining the magnitude of the effect of the exogenous independent variable on the endogenous dependent variable (Sarwono, 2011).

RESEARCH RESULTS AND DISCUSSION

1. Analysis Model

a. Descriptive Analysis

Data obtained from the banking industry sector on the Indonesia Stock Exchange in 2015-2019 were 23 (twenty three) companies x 5 (five) years = 115 (one hundred and fifteen). The required financial statements are the balance sheet and the income statement which will then be taken according to the research data.

Based on the descriptive statistical test, it can be seen the calculation of the minimum, maximum, average, and standard deviation values as well as the significance value. The minimum value is the lowest value of each variable, while the maximum value is the highest value of each research variable. The average value is used to see the average of each variable studied, while the standard deviation is the distribution of the data used in the study, from each variable studied, both the independent variable and the dependent variable, namely:

a. The first independent variable (X1) is profitability

b. The second independent variable (X2) is the price earning ratio.

c. The mediating variable (Y1) is the capital structure

d. The dependent variable (Y2) is the company value

The descriptive statistics of each of the variables studied are as follows:

Table 1. Descriptive Data

	N	Range	Minimum	Maximum	Sum	Average	Std. Deviation
ROA	115	7.69	.02	7.71	164.13	1.4272	1.16917
PER	115	1156.16	-633.68	522.48	1246.40	10.8383	96.30431
DER	115	16.85	1.36	18.21	716.69	6.2321	2.80171
PBV	115	5.45	.00	5.45	195.07	1.6963	.98382
Valid N (listwise)	115						

Source: SPSS processed data (2022)

From table 1, the profitability of all companies from 23 samples with a total of 115 data during the 2015-2019 period has a minimum value of 0.02 at BKSW in 2019 and a maximum value of 7.71 at BEKS in 2017 on average (mean) of 1.4272 and a standard deviation of 1.16917. The average value (mean) greater than the standard deviation means that the distribution of profitability values is not well spread. The level of effectiveness of the company in generating profits decreased. This is indicated by the profit generated from sales and investment income. Because profitability shows management's ability to generate profits by utilizing assets used in operating activities.

Table 1 shows that the amount of data used in this study was 115 data samples. Based on the results of calculations during the observation period, it appears that the Data Price earning ratio is the lowest (minimum) -633.68 at BINA in 2018 and the highest (maximum) is 522.48 at BINA in 2017; then the average Price earning ratio is 10.8383, the average number shows that the average company in the sample has a company performance that is reflected by its EPS. The larger the stock, the more expensive the stock price will be against the net income per share.

From table 1, descriptive statistics, where the capital structure describes the ratio of debt and equity in the company's funding and shows the ability of the company's own capital to meet all its obligations. This capital structure is reflected in the company's year-end financial statements. This variable is expressed in the ratio of total debt to the sum of total debt and equity in the year-end balance sheet. Based on the results of descriptive statistics, it can be seen that the number of samples or the total number of observations is 115 with an average value (mean) of capital structure of 6.2321 with a minimum value of 1.36 and a maximum of 18.21 and the deviation of the data from the average (standard) deviation) of 0.80171. The minimum value of 1.36 was found in DNAR companies in 2016, this shows that the debt to equity ratio is 1.36 and shows the ability of its own capital to meet all its obligations. The maximum value of 18.21 was found in the BEKS company in 2015, this shows that the debt to equity ratio is 18.21 and shows the ability of its own capital to fulfill all its obligations.

The dependent variable is a variable whose value is influenced by the independent variable. In this study, the dependent variable used is company value. Company value is the value of a company seen from its share price. Company value is proxied by price book value. Price book value is a comparison between the company's stock price and the company's book value. The book value of the company is the quotient between the common stock equity and the number of outstanding shares. Based on the results of descriptive statistics, it can be seen that the number of samples or the total number of observations is 115 with an average value (mean) of company value of 1.6963 with a minimum value of 0.00 and a maximum of 5.45 and deviations of data from the average (standard) deviation) of 0.98382. The minimum value of 0.00 is found in the BKSW company in 2016. This shows that the magnitude of the comparison between the value of the company's stock price and the book value of the company is 0.00. These results indicate that the value of the price book value is small because the value of the company's equity is also small. The maximum value of 5.45 was found in the BEKS company in 2016. This shows that the amount of PBV or the comparison between the value of the company's stock price and the book value of the company is 5.45.

b. Path Analysis

Table 2. Hypothesis Test Results

No	Test	Variabel			Regression Coefficient		
		Exogenous	**Mediation**	**Endogenous**	**Direct**	**Indirect**	**Total**
1	H1	Profitability	Capital Structure	-	0,075		
	H2	Profitability	-	Company Value	0,217	0,075 x -0,009 = -0,000675	
	H3	-	Capital Structure	Company Value	-0,009		
	H4	Profitability	Capital Structure	Company Value			0,217+-0,000675 = 0,216325
2	H1	Price Earning Ratio	Capital Structure	-	-0,005		
	H2	Price Earning Ratio	-	Company Value	-0,032	-0,005 x -0,009 = 0,000045	
	H3	-	Capital Structure	Company Value	-0,009		
	H4	Price Earning Ratio	Capital Structure	Company Value			-0,032+0,000045 = -0,031955

Source: SPSS processed data (2022)

The structural equation model used as a whole consists of two exogenous variables, one mediating variable and one endogenous variable. The figure below shows that the variables are affected by estimates of direct influence, indirect effect, and total effect. The results showed that the value of the influence of the regression coefficients, both direct, indirect and total effect, had a significance value (p value) greater than 0.05.

Hypothesis 1 shows that profitability has a positive and insignificant value to the capital structure, while the price earning ratio has a negative value and is not significant to the capital structure. With a good coefficient value on profitability (0.075) and price earning ratio (-0.005) while the significant probability value is greater than 0.05 (p-value> 0.05), it can be said that empirically and theoretically, profitability and price earning ratio have no effect significant to the capital structure.

Hypothesis 2 shows that profitability has a positive and significant value to company value, while the price earning ratio has a negative and insignificant value to company value. With a good coefficient value on profitability (0.217) and price earning ratio (-0.032), where the significant probability for profitability is less than 0.05 (p-value <0.05) which is 0.021 and a significant probability for price earning ratio greater than 0.05 (p- value > 0.05) which is 0.733, it can be said that empirically and theoretically, profitability has a positive and significant effect on company value, while price earning ratio has no significant effect on company value.

Hypothesis 3 shows that the capital structure has a negative value and is not significant to the company value. With a capital structure coefficient value (-0.009), with a significance probability greater than 0.05 (p-value > 0.05) which is 0.925, it can be said that empirically and theoretically, capital structure has no significant effect on company value.

Hypothesis 4 shows that profitability and price earning ratio have no positive and significant effect on company value through capital structure. The effect of coefficient values on exogenous variables on capital structure and the effect of capital structure variables on company value can be seen based on the coefficients of direct, indirect, and total influence. With a coefficient value greater than 0.05 (p-value > 0.05), it can be said that empirically and theoretically, profitability and price earning ratio have no positive and significant effect on company value through capital structure. If referring to the hypothesis table, it can be seen that the magnitude of the indirect effect (-0.000675) is smaller than the direct effect (0.075). It can be said that the capital structure intervening variable does not function on the profitability and price earning ratio variables to company value.

DISCUSSION

1. The Effect of Profitability and Price Earning Ratio on Capital Structure

The increase in profitability does not support the capital structure of the banking industry sector on the Indonesia Stock Exchange. This means that the higher the profitability, the lower the use of debt. This is because the company prioritizes internal sources of funds (remaining existing profits) rather than adding debt. If profitability decreases, the use of debt will increase. This is not supported because there is no direct effect of price earning ratio on capital structure in the banking industry sector on the Indonesia Stock Exchange. This means that if the price earning ratio increases, the capital structure also increases and vice versa if the price earning ratio decreases, the capital structure also decreases in the banking industry sector on the Indonesia Stock Exchange.

2. The Effect of Profitability and Price Earning Ratio on Firm Value

The increase in profitability supports the value of companies in the banking industry sector on the Indonesia Stock Exchange. Although the company experienced an increase in profits, the company used these profits for retained earnings and distributed to shareholders. So that investors consider it a signal that has an impact on the value of the company.

This is evidenced by the greater the profitability, the higher the value of the company. High profitability can be proven by the high profits obtained by paying attention to the return on assets, namely the company's ability. Companies that have high corporate values will have high profitability or the ability to generate high profits, because profitability can also describe the company's growth in several aspects, namely profit from sales, assets and share capital results. This study supports research conducted by Cahyono, Surasni and Hermanto (2019), Rosikah, et al. (2018), Nopiyanti and Darmayanti (2016) and Salim and Susilowati (2019) which state that profitability has a positive and significant effect on firm value. This has proven that the company's ability to generate high profits for shareholders or return on investment for shareholders.

This is not supported because there is no direct effect of price earning ratio on firm value in the banking industry sector on the Indonesia Stock Exchange. The value of a high price earning ratio is not followed by an increase in the price per share of the company. This situation shows that the company does not have a good value in the eyes of investors because when the value of the price earning ratio is high and investors do not buy company shares, the company is considered to have a bad company value so that the company's shares are considered blue chips in the capital market. This result is not in accordance with research conducted by Nopiyanti and Darmayanti (2016), and Firdaus (2019) showed that the price earning ratio had a significant positive effect on firm value.

3. Effect of Capital Structure On Firm Value

This is not supported because partially there is no significant direct support for capital structure on firm value in the banking industry sector on the Indonesia Stock Exchange. company. The value of capital structure partially in the results of this study has an insignificant negative effect on firm value. This indicates that the higher or lower the debt owned by a company will not affect the value of the company, this can be caused because in the capital market the movement of stock prices and the creation of company value added can be caused by market psychological factors.

This explains that the larger the capital structure of the company, which is identified with a large debt value, it does not affect the decline in the value of the company. The higher the capital structure indicates that the company uses more sources of funds from outside parties. This reflects that the company considers that debt to third parties is considered more effective and easier to obtain. One view in this regard is that companies that can obtain debt from outside parties are companies that are believed to have the ability. In addition, the capital structure that emphasizes more on debt reflects that the company is in a growth condition where the company is in a condition that requires large funding for various investments. This condition is considered by investors to be able to provide a loss to the equity of the shareholders so that the share price will decrease which can potentially reduce the value of the company. However, in many companies the use of a good capital structure will actually increase the value of the company.

4. The effect of profitability and price earning ratio on firm value through capital structure as a mediating variable.

Capital structure is not able to mediate the relationship between profitability and firm value. This is because profitability and price earning ratio have decreased significantly. From the results of the study, capital structure does not act as a mediating variable that adds to the value of the company, from the results of path analysis it is known that the effect of price earning ratio through capital structure on firm value actually has a smaller value when compared to the effect of price earning ratio on firm value directly.

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSION

Based on the analysis and discussion that has been carried out in the previous chapter, the results of the research that have been carried out can be concluded as follows:

1. Profitability does not support the increase in the capital structure of the banking industry sector on the Indonesia Stock Exchange, and the price earning ratio does not support the capital structure of the banking industry sector on the Indonesia Stock Exchange.
2. Profitability supports the increase in company value in the banking industry sector on the Indonesia Stock Exchange and the price earning ratio does not support the increase in company value in the banking industry sector on the Indonesia Stock Exchange.
3. The capital structure does not support the increase in the value of companies in the banking industry sector on the Indonesia Stock Exchange.
4. There is no mediation support between profitability and price earning ratio to firm value through capital structure, so capital structure cannot be an intermediary between profitability and price earning ratio to firm value.

RECOMMENDATIONS

From the whole series of explanations and conclusions above, the following are some suggestions that can be given based on the results of this study are as follows:

1. Companies that have high profitability are advised to prioritize internal funding because retained earnings are available, companies with high profitability use internal funds to avoid the risk of failure from the use of external funds such as debt that is beyond its optimum point or excessive use of debt.
2. The company should still take into account the use of debt as long as it does not exceed the optimum point (return can still cover the cost of capital) so that companies that are able to manage debt and income conditions carefully will have an impact on good company value and increase. In addition, it turns out that for investors the facts of this study provide information that in investing, an increasing debt to equity ratio can be used as a reference to see that the value of the company will increase and be profitable for these investors.
3. Companies must pay attention to the value of the company in terms of fundamental factors, namely in the net profit received, the welfare of investors in investing and current debt and own capital that used for the company.

4. For investors/potential investors, the variable price earning ratio can be considered in determining their investment if the value of the company is one of the prioritized elements in investing.

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