

Asset growth, operational efficiency, and firm value : The mediating role of profitability in Indonesian banking



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ABSTRACT

This study examines the influence of asset growth and operational efficiency on firm value, with profitability serving as a mediating variable among banking firms listed on the Indonesia Stock Exchange during the 2022–2024 period. In an increasingly competitive banking environment, improving financial performance has become essential for enhancing firm value and maintaining investor confidence. Employing a quantitative research design, the study utilized secondary data obtained from annual financial reports of 23 banking companies selected through purposive sampling, resulting in 69 firm-year observations. Data were analyzed using path analysis with LISREL to examine both direct and indirect relationships among the variables. The findings reveal that asset growth positively influences profitability, indicating that the effective expansion of corporate assets contributes to improved financial performance. Operational efficiency was also found to significantly affect both profitability and firm value, highlighting the importance of efficient resource management in generating sustainable corporate outcomes. Furthermore, profitability exerts a positive influence on firm value and successfully mediates the relationships between asset growth and firm value, as well as between operational efficiency and firm value. These results underscore the critical role of profitability as a strategic mechanism through which growth and operational efficiency translate into enhanced firm value. The study contributes to the literature on corporate finance and banking performance by providing empirical evidence on the interconnected roles of growth, efficiency, and profitability in creating shareholder value within emerging financial markets.

Keywords: Asset Growth; Operational Efficiency; Firm Value



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INTRODUCTION

The banking sector plays a central role in driving a country's economic mechanism, as banks function as financial intermediaries that collect funds from the public and redistribute them in the form of credit and other financial services to support business activities, households, and government operations (Dalimunthe & Lubis, 2023). Through this intermediation function, the banking industry contributes directly to economic growth and the stability of the national financial system (Otoritas Jasa Keuangan, 2024a). However, amid global and domestic economic dynamics, the banking sector faces various challenges and opportunities, including macroeconomic pressures, regulatory changes, and accelerated digitalization, which require improvements in governance, risk management, and technological adaptation (Ananwude et al., 2021). Globally, the banking industry remained relatively strong entering 2024, recording net profits of approximately US\$1.1 trillion and a Return on Tangible Equity (ROTE) of 11.7%, the highest level since before the global financial crisis. Nevertheless, profit sustainability has begun to face pressure due to interest rate normalization, credit slowdown, and tighter regulatory frameworks (Mehta et al., 2024). These conditions highlight the importance of maintaining financial resilience and operational efficiency to sustain firm value in an increasingly competitive environment.

In Indonesia, economic growth reached 5.03% in 2024 (BPS - Statistics Indonesia, 2024). This performance was reflected in annual credit growth to the real sector of 10.39%, with investment credit growing the fastest at 15.69%, indicating increasing business confidence in long-term economic prospects (Bank Indonesia, 2024; Otoritas Jasa Keuangan, 2024). Despite this positive macroeconomic performance, Indonesia's banking sector experienced market pressure in 2024, as reflected in the IDXFİNANCE index, which declined by approximately 4.72%, deeper than the overall composite index (IHSG) decline of 2.65% (Cakti, 2024; Hema, 2024; Nityakanti, 2024). This condition suggests that banking stocks became one of the primary targets of investor sell-offs, emphasizing the importance of fundamental analysis including asset quality, profitability, and funding structure in assessing firm value resilience amid market volatility (Badan Kebijakan Fiskal, 2024).

Beyond fundamental performance, trading behavior also influences market valuation. Increased selling pressure has been shown to negatively affect banking stock returns (Majiah & Asnawi, 2024). For investors, stock prices represent firm value; therefore, profitability growth becomes a primary indicator in assessing company prospects and maximizing shareholder wealth (Santoso & Junaeni, 2022; Widnyana, 2025). Firm value reflects the market's perception of a company's performance and future prospects, which is commonly measured using Price to Book Value. A higher PBV indicates stronger investor confidence and suggests that the market values the company above its book value, signaling positive performance and growth expectations (Nurhaliza & Azizah, 2023; Yudha & Putra, 2022).

Several internal financial factors influence firm value, including asset growth and operational efficiency (Radja & Fidiana, 2023; Wildan & Yulianti, 2021). Asset growth measures the annual increase in total assets and is often interpreted as a signal of expansion and increased reinvestment capacity (Jusi & Jamal, 2025; Lailiya Hidayati, 2024). Higher asset growth may indicate stronger long-term prospects; however, expansion must be accompanied by effective management to generate sustainable profitability. Operational efficiency reflects a company's ability to manage its operations optimally using available resources (Rizqi & Ilham, 2025). In the banking sector, operational efficiency is commonly measured using the Operating Expense to Operating

Income ratio. A lower BOPO indicates higher efficiency in operational management, as it reflects better cost control relative to income generation (Sari & Aji, 2025). Efficient cost management is particularly crucial in banking, where profitability is highly sensitive to operational expenses and interest rate fluctuations.

Previous empirical studies provide mixed findings regarding the relationship between asset growth, operational efficiency, and firm value. Artha (2023) found that asset growth positively affects PBV, suggesting that expansion enhances market valuation. In contrast, Hala (2024) reported that asset growth does not significantly influence firm value. Similarly, operational efficiency has been identified as an important determinant of firm value in the banking sector (Luritawati & Takarini, 2025). Alaiyanuha & Iriyanto (2021) found that BOPO significantly influences firm value, indicating that improved cost efficiency strengthens investor confidence (Kamlasi, 2025). However, Amalia & Putra (2024) reported that BOPO has a negative but insignificant effect on firm value. These inconsistent findings highlight a research gap that requires further empirical investigation, particularly within the context of Indonesia's banking subsector during the 2022–2024 period, which reflects post-pandemic economic recovery and financial market adjustments.

In addition to direct effects, profitability may serve as an intervening mechanism linking asset growth and operational efficiency to firm value. Profitability represents a company's ability to generate earnings from its assets and operations, and it serves as a key indicator for investors in evaluating performance and future prospects (Wantah, 2024). Higher profitability signals effective resource utilization and enhances market confidence, which ultimately contributes to higher firm value (Abdilah & Prijanto, 2024). Therefore, incorporating profitability as a mediating variable provides a more comprehensive understanding of how internal financial performance translates into market valuation.

Given the strategic role of banks as financial intermediaries, a decline in firm value may reduce investor confidence and potentially weaken the banking sector's contribution to economic growth (Yupita, 2026). Understanding the determinants of firm value in the banking industry is therefore essential for both academic and managerial perspectives. Accordingly, this study aims to analyze the effect of asset growth and operational efficiency on firm value in banking subsector companies listed on the Indonesia Stock Exchange during the 2022–2024 period.

Furthermore, this study examines the effect of these variables on profitability and evaluates the mediating role of profitability in the relationship between asset growth, operational efficiency, and firm value. By providing updated empirical evidence within the Indonesian banking context, this study is expected to contribute to the literature on financial performance and firm valuation while offering strategic insights for bank management in enhancing profitability and strengthening firm value.

LITERATURE REVIEW, RESEARCH FRAMEWORK, AND HYPOTHESES

Signaling Theory

Signaling theory, introduced by Spence (1973), explains how information disclosure is used to reduce information asymmetry between company management and investors in the capital market. In this context, management possesses more complete information regarding the company's financial condition, performance, and future prospects compared to external parties. This imbalance of information can be mitigated through the disclosure of financial statements, operational policies, and timely earnings reporting (Muuna et al., 2023). The information released by the company functions as a signal to

investors in assessing the firm's quality and prospects (Subroto, 2024). Positive signals, such as increased earnings, cost efficiency, and well-managed asset growth, shape favorable investor perceptions (Suryandari et al., 2023). These perceptions enhance market confidence, stimulate investment interest, and ultimately increase firm value. Moreover, asset growth and operational efficiency reflect management's ability to manage resources effectively. Therefore, signaling theory serves as a conceptual foundation for explaining the relationships among asset growth, operational efficiency, profitability, and firm value (Mumtaza & Witono, 2025)

The Effect of Asset Growth on Profitability

Asset growth reflects a company's ability to expand its business scale and enhance operational capacity (Kadarningsih, 2023). In the banking industry, asset growth generally results from credit expansion and the accumulation of other productive assets (Ariani & Parno, 2022). Such expansion has the potential to increase revenue when managed effectively. Subekti & Wardana (2022) found that asset growth has a significant effect on Return on Assets (ROA) in Islamic commercial banks. This finding indicates that an increase in total assets can drive higher revenue and profits. Similar results were reported by Rohmasari et al. (2023) and Lisdawati (2024), who argue that asset growth represents improved intermediation capacity and business expansion, thereby positively affecting profitability. Huzmiyah and Krisnaningsih (2024) further demonstrated that productive assets positively influence bank earnings. This finding emphasizes that not only the quantity of assets but also the quality of asset management is crucial. Therefore, asset growth accompanied by effective management enhances a firm's ability to generate profits. Thus, asset growth can be considered an important factor in improving a firm's profitability. Based on the theoretical arguments presented, the following hypothesis is formulated:

H1: Asset growth has a significant effect on profitability of Indonesian banking firms.

The Effect of Operational Efficiency on Profitability

Operational efficiency reflects a company's ability to utilize resources optimally so that costs are minimized and revenues are maximized. In the banking sector, efficiency is commonly measured using the BOPO ratio (Operating Expenses to Operating Income) (Kusnadi, 2022). A lower BOPO ratio indicates more efficient cost management. Wibowo et al. (2025) state that reducing operating costs directly increases bank profitability. Hamidi (2024) adds that operational efficiency is a key determinant of profitability because operating expenses constitute a major component in profit formation. Sparta (2024) emphasizes that cost control is essential for maintaining financial performance stability. Yuliana (2021) found that efficient management of operating expenses improves profit margins and ROA. Furthermore, Maulida (2024) notes that under unstable macroeconomic conditions, the ability to control costs becomes a critical factor in sustaining profitability. Thus, operational efficiency plays a strategic role in improving a firm's earnings performance. Based on the theoretical arguments presented, the following hypothesis is formulated:

H2: Operational efficiency has a significant effect on profitability of Indonesian banking firms.

The Effect of Asset Growth on Firm Value

Firm value reflects market perceptions of a company's performance and future prospects. Asset growth is often viewed as an indicator of expansion and increased business

capacity. Perwira and Wiksuana (2018) argue that an increase in assets is perceived as a signal of a firm's ability to generate future income, thereby attracting investors and increasing the Price to book value ratio. Kaulika (2025) and Octavia (2025) found that asset growth reflects corporate stability and expansion capability, which enhance investor confidence and market valuation. Triyani (2018) also explains that asset growth signals long-term value creation potential for shareholders. Therefore, asset growth serves as a positive signal to the market, ultimately increasing firm value.

H3: Asset Growth has a significant effect on Firm Value of Indonesian banking firms.

The Effect of Operational Efficiency on Firm Value

Operational efficiency describes a firm's ability to transform inputs into outputs effectively (Alaiyanuha & Iriyanto, 2021). Companies that produce maximum output at minimum cost are generally perceived more favorably by the market. Wildan and Yulianti (2021) found that improvements in operational efficiency are associated with increases in firm value. Similarly, Salsabila (2025) reported that more efficient firms tend to receive more positive market perceptions regarding their stock value. In the banking industry, operational efficiency strengthens financial performance and increases investor confidence. Therefore, operational efficiency can function as a signal of managerial competence that contributes to higher firm value. Based on the theoretical arguments presented, the following hypothesis is formulated:

H4: Operational Efficiency has a significant effect on Firm Value of Indonesian banking firms.

The Effect of Profitability on Firm Value

Profitability reflects a company's ability to generate earnings from its assets. Profitability ratios such as ROA are primary indicators used by investors to evaluate corporate performance. Febianto (2024) explains that an increase in ROA indicates the firm's ability to generate sustainable cash flows and earnings, thereby strengthening investor confidence. Fadila (2023) states that rising profits increase equity through retained earnings and lead to higher stock prices due to positive market perceptions. Lutfi (2024) adds that high profitability creates expectations of better returns, thereby increasing stock demand. An increase in stock demand raises the stock price relative to its book value, which is reflected in a higher PBV ratio and firm value. Based on the theoretical arguments presented, the following hypothesis is formulated:

H5: Profitability has a significant effect on Firm Value of Indonesian banking firms.

The Effect of Asset Growth on Firm Value through Profitability

Asset growth not only directly affects firm value but may also influence it indirectly through improved profitability. Rahmawati (2018) explains that an increase in productive assets expands operational capacity and enhances revenue. Nurhasanah (2017) states that credit growth enlarges interest income sources, thereby increasing earnings relative to total assets. Lisdawati (2024) confirms that effective credit distribution improves margins and profitability. Sumar (2022) argues that a firm's ability to generate profits from its assets attracts investors and enhances market valuation. Fadillah (2025) found that an increase in ROA is followed by an increase in firm value. Wahyuni and Gani (2022) further reinforce that high profitability serves as a positive signal that attracts investor interest. Thus, profitability acts as an intervening variable explaining how asset growth translates into higher firm value. Based on the theoretical arguments presented, the following hypothesis is formulated:

H6: Asset Growth has a significant effect on Firm Value through Profitability as an intervening variable of Indonesian banking firms.

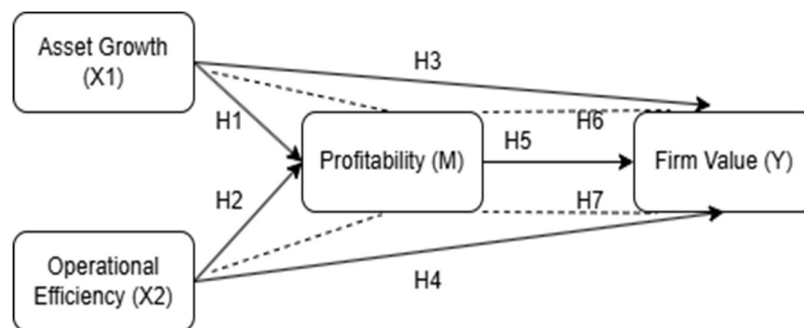
The Effect of Operational Efficiency on Firm Value through Profitability

Operational efficiency may also influence firm value indirectly through profitability. Setyowati (2019) states that efficient cost management increases earnings relative to assets. Sparta & Shafira (2024) shows that operational efficiency positively affects ROA. Magalhaes, Pandin, and Kusmaningtyas (2025) identify BOPO as a primary determinant of bank profitability. The resulting increase in earnings enhances investor confidence and market valuation (Sumar, 2020). Febianto (2024) notes that sustainable profitability reflects the firm's financial health. Indarto (2025) adds that higher profits increase stock demand, thereby raising stock prices relative to book value. Therefore, profitability serves as a mediating pathway explaining the relationship between operational efficiency and firm value. Based on the theoretical arguments presented, the following hypothesis is formulated:

H7: Operational Efficiency has a significant effect on Firm Value through Profitability as an intervening variable of Indonesian banking firms.

This study aims to examine the effect of asset growth (X1) and operational efficiency (X2) on firm value (Y) with profitability (M) as an intervening variable in banking sub-sector companies. Asset growth and operational efficiency are expected to influence firm value both directly and indirectly through profitability.

The relationship among these variables is illustrated in Figure 1.



Source: Created for this study, 2026

Figure 1
Research Framework

METHOD

This research applies a quantitative approach using a causal-associative design. Quantitative research, as explained by (Sugiyono, 2023), is grounded in the positivist paradigm and is intended to examine particular populations or samples through objective measurement. The data in this study were obtained using structured research instruments and processed using statistical analysis to evaluate the proposed hypotheses.

Furthermore, Nasihin et al. (2025) state that causal-associative research is conducted to identify and analyze the influence or relationship among two or more variables. The operational indicators for each variable used in this study are presented as follows:

Table 1
Operational Variables

Variables	Indicator	Source
Asset Growth (X1)	$AG = \frac{\text{Assets}_t - \text{Assets}_{t-1}}{\text{Assets}_{t-1}} \times 100\%$	(Anggraini, 2025)
Operational Efficiency (X2)	$BOPO = \frac{\text{Operating Expenses}}{\text{Operating Income}} \times 100\%$	(Agung et al., 2024)
Profitability (M)	$ROA = \frac{\text{Net Income}}{\text{Total Assets}} \times 100\%$	(Oktafia & Sari, 2025)
Firm Value (Y)	$PBV = \frac{\text{Market Price per Share}}{\text{Book Value per Share}}$	(Asih et al., 2024)

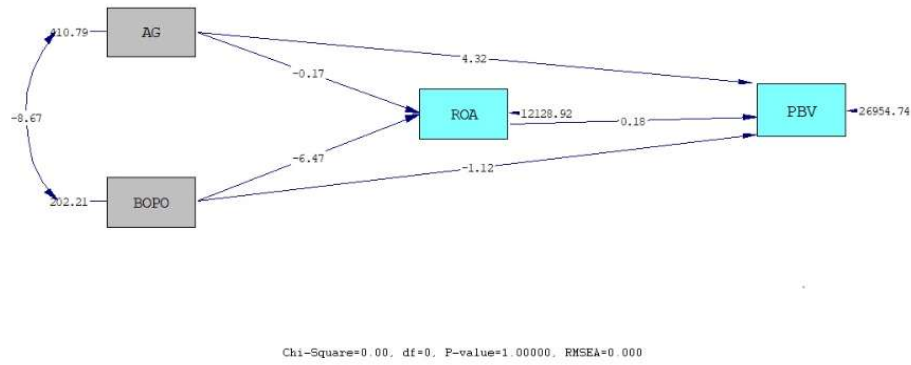
The population of this study was banking sub-sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2022–2024 based on data from the IDX official website. The sample was determined using purposive sampling techniques (Mustafa et al., 2022) in accordance with the research criteria Mardiyani et al. (2025) namely: (1) banks listed on the IDX during 2022–2024; (2) conventional banks; (3) banks that did not experience losses; and (4) banks that did not experience a decline in asset growth during that period. Based on these criteria, 23 companies with three years of observation were obtained, resulting in a total of 69 observations.

Data analysis used path analysis (Mardiyani & Mawarni, 2026) with the help of LISREL to test direct and indirect effects, including mediation. The stages included structural and measurement model development, model estimation, suitability evaluation, and hypothesis testing and interpretation. The path coefficients indicate the strength of the relationship between variables in the model (Zuhroh, 2019).

RESULTS AND DISCUSSION

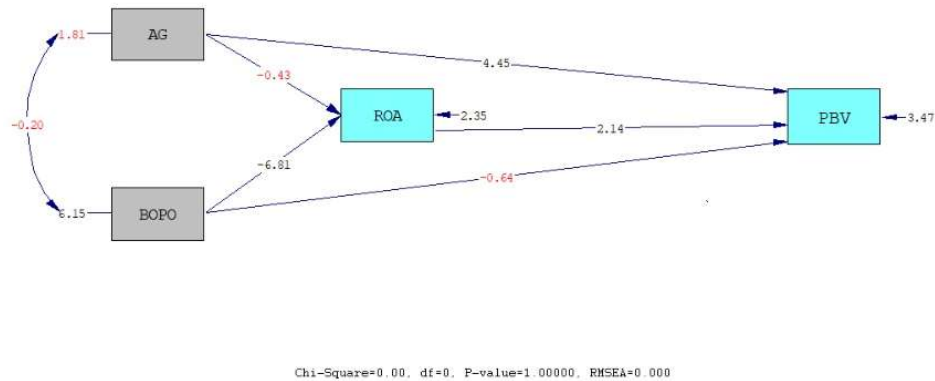
Based on sample determination combining purposive sampling, using 23 issuers in the conventional general banking sub-sector listed on the IDX for the 2022-2024 period as the object of research. This study aims to analyze the effect of Asset Growth and Operational Efficiency on Firm Value with Profitability as an intervening variable. The research model used is path analysis with the help of LISREL software version 10.20. Data management is carried out through a path diagram compiled using SIMPLIS Syntax to obtain model parameter estimates.

The analysis process followed the stages of path analysis testing, which included evaluating the inverse matrix of the correlation matrix and estimating path coefficients to assess the direct and indirect effects between variables, as shown in the following figure:



Source : Data processed by author, 2026

Figure 2
Path Coefficients



Source : Data processed by author, 2026

Figure 3
T-Count

Based on the path diagram using LISREL, the details of the analysis results are presented in the estimation summary of the structural equation as follows:

Table 2
Hypothesis Testing Results

Hypothesis	Relationship Variable	Path Coefficient	T-Count	T-Table	Results
H1	AG → ROA	-0,17	-0,43	1,96	Rejected
H2	BOPO → ROA	-6,47	-6,81	1,96	Accepted
H3	AG → PBV	4,32	4,45	1,96	Accepted
H4	BOPO → PBV	-1,12	-0,64	1,96	Rejected
H5	ROA → PBV	0,18	2,14	1,96	Accept
H6	AG →ROA →PBV	-0,031	-0,46	1,96	Rejected
H7	BOPO→ROA→PBV	-1,164	-2,37	1,96	Accept

Source: Data Processing Results, 2026

Based on Table 3, the relationship between asset growth and profitability shows a coefficient of -0.17 with a t value of -0.43, so H1 is rejected because the t value < t-table 1.96, which means it is not significant. The relationship between operational efficiency and profitability has a coefficient of -6.47 with a t-value of -6.81, so H2 is accepted because the t-value > t-table 1.96, which means there is a significant effect. Furthermore, the relationship between asset growth and company value has a coefficient of 4.39 with a t-value of 4.45, so H3 is accepted because the t-value > t-table 1.96, meaning there is a significant effect. The relationship between operational efficiency and company value has a coefficient of -1.12 with a t-value of -0.64, so H4 is rejected because the t-value < t-table 1.96, meaning it is not significant.

The relationship between profitability and company value has a coefficient of 0.18 with a t-value of 2.14, so H5 is accepted because the t-value > t-table 1.96, meaning there is a significant effect. Furthermore, the relationship between profitability in mediating the effect of asset growth on company value has a coefficient of -0.031, with a t-value of -0.46, so H6 is rejected and profitability is not proven to be an intervening variable. Conversely, profitability in mediating operational efficiency with company value has a coefficient of -1.164 with a t-value of -2.37, so H7 is accepted because the t-value > t-table and profitability is proven to act as an intervening variable.

Based on the output of data processing using LISREL, a structural equation consisting of 2 sub-structures is obtained. The testing of path coefficients for substructure 1 and substructure 2 will be explained in more detail as follows:

PBV = 0.180*ROA + 4.316*AG - 1.119*BOPO, Errorvar.= 26954.742, R² = 0.254
Standerr (0.0852) (0.983) (1.775) (7889.431)
Z-values 2.112 4.389 -0.631 3.417
P-values 0.035 0.000 0.528 0.001

Based on this equation, the coefficient of determination (R²) value obtained is 0.411, which shows that the percentage of profitability estimates is influenced by asset growth and operational efficiency simultaneously by 41.1%. Meanwhile, the partial effect of -0.17 shows the variation in profitability that can be explained by asset growth, while 6.473 is the variation in profitability that can be explained by operational efficiency.

PBV = 0.180*ROA + 4.316*AG - 1.119*BOPO, Errorvar.= 26954.742, R² = 0.254
Standerr (0.0852) (0.983) (1.775) (7889.431)
Z-values 2.112 4.389 -0.631 3.417
P-values 0.035 0.000 0.528 0.001

The coefficient of determination (R²) value is 0.254, which indicates that 25.4% of the variation in company value (PBV) can be explained by profitability, asset growth, and operational efficiency simultaneously, while the remaining 74.6% is influenced by other variables outside the research model. Partially, profitability and asset growth have a significant effect on company value, while operational efficiency does not have a significant effect on company value.

The Effect of Asset Growth on Return on Assets

The test results show that asset growth does not significantly impact Return on Assets. This indicates that asset growth in banking companies has not been able to directly increase profit-generating capacity, as asset growth generally originates from third-party funds, placement in liquid assets, and long-term credit expansion, the impact of which is

not yet felt in the current period. Consequently, asset increases are not accompanied by a proportional increase in profits, resulting in a significant increase in profitability.

Furthermore, asset growth that is not balanced by efficient management has the potential to increase operational costs, provisioning costs, and credit risk, resulting in increased assets not being fully productive and reducing their effectiveness in generating profits. Therefore, the size of assets does not necessarily reflect high bank profitability.

This finding aligns with Alfindo Hm (2022), which states that asset expansion focuses more on increasing business scale than on asset management efficiency. Conversely, this result contradicts Rahman (2020), who states that assets are managed productively and utilized optimally to increase revenue and profit.

The Effect of Operational Efficiency on Return on Assets

The results of this study indicate that operational efficiency significantly impacts Return on Assets. This finding indicates that the higher the BOPO, the lower the bank's profitability. BOPO reflects the ratio between operating costs and income, so an increase indicates inefficiency in cost management, which directly impacts the company's profits. In banking, high BOPO in conventional commercial banks is driven by rising interest expenses, office operating costs, and credit risk provisioning costs that are not offset by revenue growth. This situation confirms that management's ability to control operational costs is a key factor in determining profitability. Therefore, the lower the operational efficiency, the weaker the company's assets' ability to generate profits.

This study's findings align with research conducted by Kusnadi (2022), which asserts that uncontrolled increases in operational costs will reduce company profits and directly impact profitability. Furthermore, research by Listari (2021) also shows that efficient operational cost control allows companies to optimize the income generated from their assets. Therefore, these research findings reinforce the view that banking company profitability is largely determined by its level of operational efficiency.

The Effect of Asset Growth on Company Value

The results of the study indicate that asset growth has a significant effect on company value. This finding indicates that companies that are able to increase their assets demonstrate the ability to expand their business scale and strengthen their operational capacity. Asset growth is perceived as a signal of growth prospects and potential economic value creation, thereby encouraging an increase in market valuation of the company, even though this increase in value is not always followed by a direct increase in short-term performance.

This condition shows that asset growth reflects the effectiveness of business development strategies and relatively good resource management. Continuously increasing assets provide support for operational activities and expansion, thereby increasing investor confidence in the sustainability of the company's future performance. Thus, optimally managed asset growth remains capable of influencing company value because it reflects long-term business prospects.

This finding is in line with research conducted by Makmur et al. (2022) which concluded that an increase in assets is seen as an indicator of expansion and strengthening of company capacity, which ultimately increases investor confidence and company value.

The Effect of Operational Efficiency on Company Value

The results of the study indicate that operational efficiency does not have a significant effect on company value. This finding suggests that variations in operational efficiency levels are not yet a major factor in the market's assessment of banking companies. Although BOPO reflects the magnitude of operating costs relative to income, this ratio is not directly interpreted by the market as an indicator of changes in company value. In the banking sector, most operating costs are structural and mandatory, such as third-party interest costs, office networks, information technology, and regulatory compliance, so they are relatively uniform across banks. This condition causes differences in BOPO between companies to not reflect significant differences in fundamental quality. As a result, high BOPO is not perceived as a strong enough negative signal to influence investors' assessment of a company's value.

In addition, high operating costs are not always interpreted by the market as inefficiencies that reduce a company's value. As long as banks are still able to maintain income and operational stability, a high-cost structure is seen as a normal consequence of the characteristics of the banking industry.

Therefore, changes in BOPO are not directly responded to by the market in the formation of stock prices and company value. The results of this study are in line with research conducted by Suzan & Ardiansyah (2023), which also shows that operational efficiency has a greater impact on company profits, but is not always responded to by the market in the form of changes in company value. This indicates a gap between operational performance and investor perception. Conversely, research conducted by Andriyani (2025) indicates that operational efficiency is an important determinant in the formation of company value.

The Effect of Profitability on Company Value

The results of the study indicate that profitability has a significant effect on company value. These findings indicate that in the banking industry, profitability remains the main determinant in the formation of company value. Low ROA does not eliminate the role of profitability as a performance indicator that is considered by investors, because the market places more value on relative performance differences between banks than on profit levels.

In the banking industry, which is characterized by thin profit margins and high levels of competition, small changes in ROA have significant economic implications. ROA reflects a bank's ability to manage productive assets and third-party funds to generate profits. Therefore, even a limited increase in ROA is still perceived as an improvement in efficiency, asset management quality, and future profit growth prospects. This condition encourages increased investor confidence, which has an impact on increasing company value as reflected in PBV.

These findings are in line with the research by Chirinna & Karlina (2025) that a company's ability to manage its assets to generate profits is perceived positively by investors, thereby encouraging an increase in company value.

The Effect of Asset Growth on Company Value with Return on Assets as an Intervening Variable

The test results show that Return on Assets is unable to mediate the effect of Asset Growth on Company Value. This indicates that the increase in assets originating from credit distribution and third-party fund collection has not increased profitability because the new assets are still in the early stages of utilization or are dominated by long-term assets

that are not yet productive. As a result, the profits generated are not strong enough to continue the effect of asset growth on company value, so that asset expansion reflects business scale expansion rather than effectiveness in generating profits.

This finding is in line with Putra et al. (2022), who state that asset growth does not directly increase a company's ability to generate profits from its assets. On the other hand, (Triyani et al. (2018) state that asset growth can increase profits if managed productively, but it is not sufficient as the sole measure of a company's performance and value because it more reflects business expansion. Without efficient management and increased profitability, high asset growth does not necessarily have an impact on company value.

The Effect of Operational Efficiency on Company Value with Return on Assets as an Intervening Variable

The results of the study indicate that Return on Assets is able to mediate the effect of Operational Efficiency on Company Value. This finding indicates that the market does not respond directly to cost efficiency, but rather first assesses its impact on profits. Operational efficiency only reflects internal performance in cost control and does not sufficiently influence investor perception if it is not followed by increased profitability. A decrease in operating costs increases net profit, thereby increasing ROA, and it is this increase in ROA that serves as the main signal to investors regarding the quality of the company's performance and prospects.

Therefore, operational efficiency only has an impact on company value when it succeeds in increasing profitability, with ROA acting as a link between improvements in cost efficiency and increased investor confidence and stock prices. These findings are in line with Setyaningsih et al. (2023), reflecting the extent to which a bank's operating income is used to cover costs. The lower the efficiency, the more efficiently the bank controls costs, thereby increasing net profit and the ability of assets to generate profits. Thus, cost efficiency is a key factor determining banking profitability.

Research by Qinthara et al. (2025) shows that the market responds more to profit growth and stability as the main performance signals in investment decision-making, making profitability a key link between financial performance and company value and driving increased investor interest and company value.

CONCLUSION AND SUGGESTION

Based on the research results and discussion, it can be concluded that asset growth has no significant effect on return on assets, while operational efficiency has a negative and significant effect on return on assets. Asset growth has a positive and significant effect on firm value, while operational efficiency has no significant direct effect on firm value. Return on assets has a positive and significant effect on firm value. Furthermore, return on assets mediates the effect of operational efficiency on firm value, but does not mediate the effect of asset growth on firm value.

Based on these findings, several recommendations can be provided for banking companies to increase stock prices and firm value by maintaining sustainable asset growth, consistently reducing operational costs, and increasing profitability through more effective asset and cost management. Stable profit growth can boost investor confidence, thus impacting stock prices in the capital market.

This study is limited by the relatively short research period and the limited number of variables used. Therefore, future research is recommended to extend the observation period and add other relevant variables, such as credit risk, capital structure,

corporate governance, or macroeconomic factors, to obtain more comprehensive research results.

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