

Determinants of Islamic banks' firm value: empirical evidence from IFSB member countries

Vindi Nur Fitriyah^{1,*}, Guntur Kusuma Wardana²

UIN Maulana Malik Ibrahim Malang, Indonesia^{1,2}

Corresponding e-mail: 19540089@student.uin-malang.ac.id*

ABSTRACT

Purpose — *The purpose of this research is to determine the effect of profitability, debt policy, dividend policy and capital structure on the firm value of Islamic banks.*

Method — *The population in this study consisted members of Islamic Financial Service Board (IFSB) period 2022, totaling 188 Islamic Financial Institutions. Using the purposive sampling technique, there was 18 Islamic banks that used as a samples with a quarterly time series data from 2021 until 2022. The data used was secondary and analyzed by panel data regression with Eviews10.*

Result — *The results show that partially profitability, dividend policy and capital structure has significant effect on firm value of Islamic banks, but debt policy has no significant effect on firm value of Islamic banks. Meanwhile, simultaneously profitability, debt policy, dividend policy and capital structure have a significant effect on firm value of Islamic banks.*

Contribution — *The main contribution of this research is particular to the firm value literature of Islamic banks, which is useful as a reference and investment decision making for third parties.*

Keywords: *profitability, debt policy, dividend policy, capital structure, firm value*

**This paper has been presented in the International Conference on Islamic Economics (ICIE) 2023 held by Faculty of Islamic Economics and Business, Universitas Islam Negeri Mataram, Indonesia on 22 February 2023.*

***This paper does not undergo our rigorous review process, thus JED cannot guarantee the quality, data provision, readability, and clarity of English used in this paper. The contents of this paper are fully the authors' responsibility.*



Journal of Enterprise and Development (JED) is licensed under a [Creative Commons Attribution-ShareAlike 4.0 International License](https://creativecommons.org/licenses/by-sa/4.0/).

INTRODUCTION

The presence of an Islamic economy became the basis for the global expansion of Islamic banking in the world, giving fresh encouragement to many parties, particularly Muslims, for the presence of an alternative economic system to the capitalist and socialist economies. The worldwide economic crisis that occurred in 1930 as a consequence of the collapse of the stock market in the United States (*Great Depression*), persisted in 1970-1980, causing the world to experience inflationary upheaval, with the monetary crisis that impacted almost all of East Asia coming in 1997-1998, causing fear and even the breakdown of the world economy due to financial contagion. This demonstrates that the economic system must be able to response to economic and humanitarian issues and provide solutions. Consequently, the emergence of Islamic banking is intended to encourage muslim communities to save and partake in growing investments in order to implement a system devoid of usury (David, 2020; Roficoh, 2018).

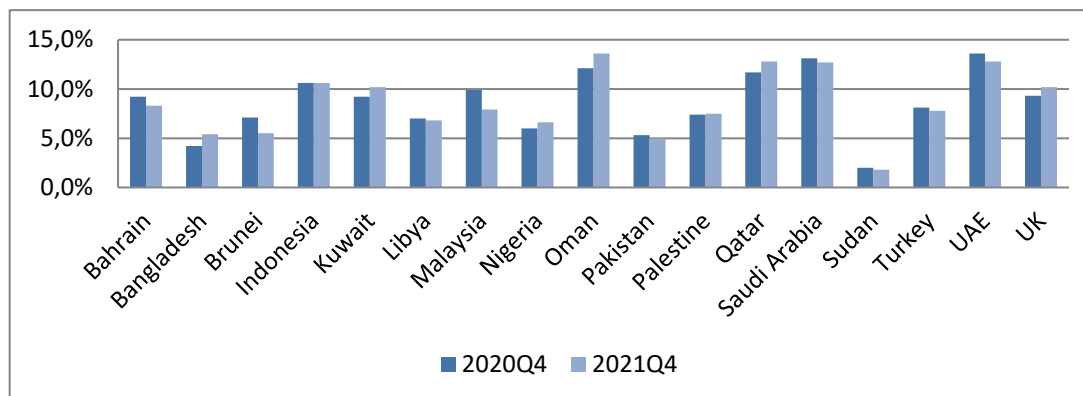
Essentially, a company's long-term objective is to improve and maximize the firm value in order to benefit the company's proprietor, so that the company can keep growing and conduct out all company operations in order to entice investors to spend their funds (Kurniawati & Khair, 2020; Satria & Putri, 2021). Several variables, including profitability, debt policy, and dividend policy, can impact a firm value, but the outcomes are still inconsistent (Suranto & Walandouw, 2017).

According to the *Islamic Financial Services Board* (IFSB) 2022 report, the global *Islamic financial services industry* (IFSI) expanded by 11.3% from the previous year and is expected to hit USD 3.06 trillion in 2021, demonstrating fortitude in the face of the COVID-19 pandemic. Given the increasing proportion of Islamic banking funds, this figure is anticipated to rise in the near future. In 2021, the average increase in worldwide Islamic bank profitability was 1.6% for *Return On Assets* (ROA) and 16.7% for *Return On Equity* (ROE). In 2016, the rise exceeded pre-pandemic growth.

Profitability is one of the most essential measurements in determining a company's future prospects by examining how far the company has expanded. This demonstrates that the greater the value of profitability achieved, it will raise the firm value of the company (Ulya, 2020). According to the research authors Suranto (2017), Kusumawati & Rosady (2018), Richard (2020) and Ebenezer et al., (2019), which states that profitability has a significant effect on firm value. Various research findings presented by Merry Susanti (2021). The research's findings support the belief that profitability has no significant effect on firm value. Palupi & Hendiarto (2018), Thaib & Dewantoro (2017) and Manurung et al., (2019) .

The following is the Islamic banking debt ratio chart by country in 2020-2021.

Table 1. Debt Ratio Global Of Islamic Banking



Source: Islamic Financial Service Board (2022)

According to the IFSB, as shown in Table 1, almost every nation has a percentage greater than 3% (except Sudan). This has surpassed the *Basel Committee On Banking Supervision* (BCBS) and IFSB requirements. In general, it can be stated that Islamic banks worldwide continue to engage in high amounts of loan use or *Leverage*.

A company is considered dangerous if it has a high percentage of debt in its capital structure, but if it utilizes little or no debt, the company is considered unable to use extra external capital to increase its working activities (Mahendra, 2015). Based on research Palupi & Hendiarto (2018) dan Putra (2015), asserts that debt policy has a significant effect on firm value. In opposition to the research findings presented by Ulya (2020), Palupi & Hendiarto (2018), Dien Gusti & Fidiana (2020) and Kurniawati & Khair (2020) which claims that debt policy has no significant effect on firm value.

The dividend policy is another element that is considered to influence the firm value. The capacity of a company to pay dividends shows the firm value (Dien Gusti & Fidiana, 2020). In general, investors want to increase their well-being by expecting a return on the purchased stocks. In addition, companies must be able to generate stable profits or profitability, in order to be able to distribute dividends to their shareholders (Buyung et al., 2017; Kim et al., 2007). Because the size of the danger and the anticipated revenue will impact the firm value (Sudana, 2015). The better the company's dividend strategy, the higher of firm value. This is consistent with the research authors Nurhasanatang et al. (2020), Kurniawati & Khair (2020), Sa'adah (2021), Putra (2015) and Palupi & Hendiarto

(2018) which asserts that dividend policy has a significant effect on firm value. Unlike the findings of research Prabowo & Wiweko (2022), Husnatarina et al., (2018), Ulya (2020) and Yudistira et al., (2021) This demonstrates that dividend policy has no significant on firm value.

The capital structure is the next element that can affect the firm value of Islamic banking companies, because a robust capital structure can help Islamic banking withstand business risks and economic circumstances (Masruroh & Wardana, 2022). As demonstrated by the occurrence of the monetary crisis in 1997, which resulted in a massive withdrawal of foreign investment in the Southeast Asian capital market, and bankrupted banks in crisis-affected countries to liquidation due to economic difficulties and losses of more than 50% in operational profits (Darmadji & Fakhruddin, 2011). As a result, a strong capital structure is critical to achieving prosperity and increasing on firm value (Noviani et al., 2019). According to Pangulu & Ghozali (2014), Fauziah & Rafiqoh (2021), Richard (2020) dan Kurniawati & Khair (2020) says that capital structure has a significant effect on firm value, whereas various outcomes are represented by Suranto & Walandouw (2017), Thaib & Dewantoro (2017) and Parlindungan & Susanti, (2021) that the capital structure has no significant effect on firm value.

Based on the background of the issues outlined there are still differences in the results of previous studies from one another, Therefore, it needs to be reexamined by adding several independent variables that are expected to affect the firm value of Islamic banks'. The researcher wishes to evaluate the impact of profitability, debt policy, dividend policy, and capital structure on the firm value of Islamic banks'. Furthermore, this research is expected to provide critical information and insight into understanding the effect of profitability, debt policy, dividend policy, and capital structure on the firm value of Islamic banks'.

METHOD

Research design

The research method and strategy used are quantitative research with an *Exploratory* approach. Using quantitative data in the form of numbers (Priyono, 2016). This research method is based on the philosophy of *Positivism*, which examines a particular population or sample, collects data using research instruments, and analyzes quantitative/statistical data to test hypotheses (Abdullah, 2015). In terms of advantages, this research was intended to evaluate theories from earlier research about causative connections with the variables used by describing various variables and evaluating and quantifying the relationships between variables (Firmanto et al., 2018).

Sample and Population

The population in this research are representatives of the *Islamic Financial Services Board* (IFSB), regulatory and supervisory agencies, worldwide intergovernmental groups, financial institutions, industry associations, and stock markets. This research included 188 Islamic financial institutions that are members of the IFSB. The sample in this research is Islamic banking, which is a member of the IFSB and is mentioned in *The Asian Banker's* ranking of the 60 best Islamic banks in the world in 2022.

Table 2. Sample Selection Criteria

No.	Sample Selection Criteria	Number Of Samples
1	Islamic Financial Services Board (IFSB) member in 2022	188
2	Regulatory and supervisory authorities and international intergovernmental organizations	(91)
3	Non-Islamic financial institutions (takaful, stock exchanges, etc.)	(41)
4	Islamic banks that are included in the 60 strongest Islamic banks in the world according to The Asian Banker in 2021	(21)
5	Islamic banks that do not publish financial statement in the study period	(17)
Total Islamic banking that used as sample		18

Source: Data processed by researcher, 2023

The Islamic banks used as samples in this study are shown in the table 3:

Table 3. List of Islamic Banks Used as Sample

No	Syaria Bank	Country
1	Al-Jazira Bank	Arab Saudi
2	Al-Rajhi Bank	Arab Saudi

3	Al Salam Bank	Bahrain
4	Kuwait Finance House Bahrain	Bahrain
5	Islamic Bank Bangladesh	Banglades
6	Bank BTPN Syariah	Indonesia
7	Boubyan Bank	Kuwait
8	Kuwait Finance House	Kuwait
9	RHB Islamic Berhad	Malaysia
10	Al Baraka Bank Egypt	Mesir
11	Masraf Al-Rayan	Qatar
12	Qatar Islamic Bank	Qatar
13	Kuwait Turkish Participation Bank	Turki
14	Al Baraka Turk Participation Bank	Turki
15	Dubai Islamic Bank	Uni Emir Arab
16	Al-Hilal Bank	Uni Emir Arab
17	Islamic Internasional Arab Bank	Yordania
16	Jordan Islamic Bank	Yordania

Source: Data processed by researcher, 2023

Variable operational definitions

1. Firm Value (Y) is evaluated by a market ratio, namely *Price Book Value* or PBV, which is the assessment of investors or the company's future possibilities as represented in the stock market's share price (Putra, 2015). The PBV formula as follows:

$$PBV = \frac{\text{Market Price per Share}}{\text{Book Value}} \times 100\%$$

2. Profitability (X_1) is evaluated by the *Return On Asset* (ROA) ratio, which measures a company's capacity to produce profit after tax by utilizing all assets (Sabrin et al., 2018). The ROA formula as follows:

$$ROA = \frac{\text{Earnings After Taxes}}{\text{Total Asset}} \times 100\%$$

3. Debt Policy (X_2) is evaluated by the *Debt To Asset Ratio* (DAR), measures and gives information about a company's capacity to adjust to circumstances of decreasing assets because of losses without decreasing interest payments on credit (Mahendra, 2015). The DAR formula as

follows;

$$DAR = \frac{\text{Total Liabilities}}{\text{Total Asset}} \times 100\%$$

4. Dividend Policy (X_3) is evaluated by the *Dividend Payout Ratio* (DPR) measures, which is the amount of profit given to stockholders at the end of the year, as well as the amount of profit invested in retained profits at the end of the year (Yudistira et al., 2021). The DPR formula as follows:

$$DPR = \frac{\text{Dividend per Share}}{\text{Earnings per Share}} \times 100\%$$

5. Capital Structure (X_4) is evaluated by the *Debt To Equity Ratio* (DER), which is used to compare debt to equity. This ratio is calculated by comparing total debt, including present debt, to total wealth (Mahendra, 2015). The DER formula as follows:

$$DER = \frac{\text{Total Liabilities}}{\text{Total Equity}} \times 100\%$$

Collection of data

The literature research method and the recording method were used to gather information for this research. The documentation technique seeks data on objects or factors in the form of notes, recordings, books, periodicals, journals, inscriptions, meeting minutes, agendas, and so on (Siyoto & Sodik, 2015). Using data gathering techniques aimed at finding data and information in documents,

including written documents, photos, images, and computerized documents that aid in the research process. The data in this research is in the shape of numerical data from public financial statement from each Islamic bank website.

Data analysis

The data used was secondary and analyzed by panel data regression with Eviews10. The research data is a combination of *time series* and *cross-sectional*, using quarterly data starting from January 2020 to September 2022. The panel data regression analysis formula is as follows:

$$\text{PBV} = \alpha + \beta_1 \text{ROA}_{it} + \beta_2 \text{DAR}_{it} + \beta_3 \text{DPR}_{it} + \beta_4 \text{DER}_{it} + e$$

information :

α = Constant of the regression equation

β_1 = Profitability (ROA) regression coefficient

β_2 = Debt policy (DAR) regression coefficient

β_3 = Dividend policy (DPR) regression coefficient

β_4 = Capital structure (DER) regression coefficient

e = error or external factors from variables that are not included as variables in this regression model

i = Unit *Cross Section*

t = time period

Hypothesis Development

Profitability

Profitability is described as a ratio that can reflect a company's financial condition, illustrating the company's capacity to produce profits compared to sales, as well as total assets and equity. A high degree of profitability indicates that the company's fortune is improving and growing (Santoso, 2013). This can improve the firm value, and investors will be more interested in investing in the company as a result (Thaib & Dewantoro, 2017). As a result, the scale of profitability can impact a firm value; the greater the company's capacity to produce profits, the greater the firm value to optimize shareholder wealth (Noviani et al., 2019). Results of research showing that profitability has a significant effect on the firm value, revealed by Ulya (2020), Suranto (2017), Sabrin et al. (2018), Richard (2020) dan Ebenezer et al., (2019). Different

research findings revealed by Palupi & Hendiarto (2018), Thaib & Dewantoro (2017), Manurung et al., (2019) and Merry Susanti (2021) It is stated that profitability has no significant effect on the firm value. Based on some of the results of the above research, the hypotheses put forward in this research are:

H₁: Profitability has a significant effect on the firm value.

Debt policy

A debt policy is a choice made by a business to manage its financial system in relation to the use of debt or *Financial Leverage* (Azhari, 2018). Investors are concerned not only with the company's debt, but also with how managers can successfully handle debt policies and create good business value (Dien Gusti & Fidiana, 2020). However, according to (Paradiba & Nainggolan, 2015) The use of debt in the company has no major effect on the firm value. This is assisted by Miller and Modigliani's capital structure theory, which explicitly recognizes that there is no relationship between funding and investment, implying that using or not using debt to fund company investment has no effect on changes in firm value, according to the results revealed by Ulya (2020), Dien Gusti & Fidiana (2020) and Kurniawati & Khair (2020) that the debt policy has no significant effect on the firm value. The result is backward from Palupi & Hendiarto (2018) and Putra (2015), the following theories are put forth in this research in light of the fact that the debt policy has a significant effect on the firm value. Based on some of the results of the above research, the hypotheses put forward in this research are:

H₂: The debt policy has no significant effect on the firm value.

Dividend Policy

Dividends are payments made by a business to its stockholders from its profits. These payments can take the shape of cash rewards or dividends on shares. Dividend policy has a significant effect on both shareholders and companies that plan to pay dividends. The capacity of a company to pay dividends shows the firm value. If the dividend is significant, the equity price is also high. (Dien Gusti & Fidiana, 2020). According to the research findings, the better the dividend policy of the company, the better the firm value will tend to increase Nurhasanatang et al. (2020), Dien Gusti & Fidiana (2020), Kurniawati & Khair (2020), Putra (2015) dan Palupi & Hendiarto (2018), The dividend policy of a company has a significant effect on firm value. Different from research results Prabowo & Wiweko (2022), Ulya (2020) and Yudistira et al., (2021), It was discovered that dividend policy has no significant effect on firm value. Based on some of the results of the above research, the hypotheses put forward in this research are:

H₃: Dividend policy has a significant effect on the firm value.

Capital Structure

According to the capital structure theory, if a company has the ability to weigh the advantages and costs of debt, it will not face insolvency. This is due to the capital structure, which is anticipated to enhance the company's profits, which can ultimately increase the firm value 's well-being (Noviani et al., 2019). According to Kusumawati & Rosady (2018), The capital structure measured using DER has a significant impact on the firm value. Therefore, the firm value increases as corporate capital structure does. The research additionally demonstrates this Pangulu & Ghazali (2014), Fauziah & Rafiqoh (2021), Richard (2020) dan Kurniawati & Khair (2020). The result is different from what is shown Suranto & Walandouw (2017), Thaib & Dewantoro (2017) dan Parlindungan & Susanti, (2021), The firm value is not significantly impacted by the financial structure. Based on some of the results of the above research, the hypotheses put forward in this research are :

H₄: Capital structure has a significant effect on the firm value.

RESULT AND DISCUSSION

Descriptive statistics

The result of statistical test is presented in table 4 as follows:

Table 4. Descriptive Statistic Test

Variable	Firm Value (Y)	Profitability (X₁)	Debt Policy (X₂)	Dividend Policy (X₃)	Capital Structure (X₄)
Mean	1,655,505	0,769242	0,846768	2,147,374	5,162,677
Median	1,095,000	0,560000	0,880000	1,430,000	4,920,000
Maximum	9,930,000	3,620,000	1,120,000	9,400,000	9,990,000
Minimum	0,200000	0,090000	0,530000	0,500000	1,140,000
Std.Dev.	1,815,028	0,613672	0,120070	1 ,704,370	2,703,351
Skewness	2,519,303	2,415,696	-0,864782	1,638,072	0,124595
Kurtosis	1,080,678	9,897,277	3,057,998	5,718,796	1,612,528

Source: Eviews 10 output, 2023

Regression Model Selection

The selected model is the *Random Effect Model* (REM). Therefore, it can be concluded in this study used the REM model to determine the effect of profitability, debt policy, dividend policy and capital structure on the firm value of Islamic banking. The results of panel data regression using the REM model are shown in the following table 5:

Table 5. Random Effect Model Result

Variable	Coefisien	Std. Error	t-Statistic	Prob.
Constanta	-0,450266	0,247183	-1,821588	0,0701
Profitability ROA (X ₁)	0,429144	0,057398	7,476690	0,0000
Debt Policy DAR (X ₂)	-0,352671	0,281374	-1,253389	0,2116
Dividend Policy DPR (X ₃)	0,466033	0,056723	8,216003	0,0000
Capital Structure DER (X ₄)	0,266012	0,116040	2,292418	0,0230
R-squared 0,397155		F-statistic 31,78720		
Adjusted R-Squared 0,384661		Prob (F-statistic) 0,000000		

Source: EvIEWS 10 output, 2023

Based on the regression results in table 5, there is a model equation from this study as follows:

$$PBV = -0,450266 + 0,429144 ROA - 0,352671 DAR + 0,466033 DPR + 0,266012 DER + e$$

As for the interpretation of the regression model data panel in Table 5, it shows that if the constant of $-0,450266$ states that the entire independent variable of all the independent variables is the profitability represented by ROA, the policy of debt represented by DAR, the dividend policy represented by DPR, and the capital structure represented by DER is equal to zero, then the size of the firm value represented by PBV is the same as the magnitude of the constant, which is $-0,550266$. According to the ROA (X₁) profitability regression coefficient of 0.429144 , each unit rise in ROA value would result in a corresponding increase in PBV of 0.492144 . The DAR (X₂), which stands for the debt policy, has a

regression coefficient of 0.352671, meaning that each unit rise in the DAR's value will result in a 0.352671 decrease in the PBV's value. According to the DPR (X_3) dividend policy regression coefficient of 0.466033, each unit rise in the DPR value will result in a corresponding increase in the PBV value of 0.466033. The regression coefficient of the capital structure represented by the DER (X_4) of 0.266012 stated that each increase of 1 unit of the value of the DER would also increase the PBV value by 0,266012.

Normality test

Residual normality test that common used is by looking at the value of Jarque-Bera (Junjunan & Nawangsari, 2021). Based on the test data obtained, the result is presented in table 6 below:

Table 6. Normality Test Result

Jarque-Bera	5,901373
Probability	0,052304

Source: Eviews 10 output, 2023

Based on table 6, the *probability value of Jarque-Bera* in this study is 0.052304 higher than 0.05. Therefore, the data in the study are normally distributed.

Coefficient determination (R^2)

The determination coefficient (R^2) essentially gauges the extent to which a model can account for differences in dependent factors. The determination coefficient's number falls within the range of 0-1. The independent variable's overall capacity is very constrained and is unable to describe the dependent variable when the determination coefficient value is low and near to 0. When the determination coefficient is near to 1, it indicates that an independent variable's capacity to predict the dependent variable can almost completely fill in the missing data (Ghozali & Ratmono, 2017; Meisyta et al., 2021).

It is clear from the determination test that the independent factors are profitability, debt policy, dividend policy, and capital structure, with a value of R-squared 0.39 or 39.71%. The firm value is contingent on 39,71% of the factors. Other factors not included in this research were used to account for the remaining 60.29%.

Individual Parameter Significance Test (t Test)

The basis for the decision-making of the statistical test t is that if the significance value $< 0,05$ and the t value counts $< t$ table then H_0 is accepted or there is a partially non-significant influence, if the value of significance > 0.05 and the value t counts $> t$ table there is H_0 rejected or it is partially significant influence (Ghozali & Ratmono, 2017). The results of this research are show in the following Table 5:

1. Effect of profitability on the firm value

The value of the partial regression coefficient of profitability's (X_1) produces a probability value is equal to $0,0000 < 0,05$. As a result, H_0 is rejected and H_1 is accepted, indicating that profitability has a significant affect on firm value for Islamic banks'. Profitability is a measure that can illustrate the company's financial health. A high level of profitability can reflect a better and increasing company wealth. This can increase the value of the company, and investors are also more interested in investing in the company. Therefore, the size of the profitability can affect the value of a company. The greater the company's ability to generate profits, the greater the value of the company to maximize shareholder wealth. Islamic banking created in accordance with Islamic principles are anticipated to maximize the firm value from the islamic banking in addition to seeking profit or profitability (Sulistiyo & Yuliana, 2019). The firm value will rise if more people own shares of it. Investors may become more optimistic about the company's future chances as a result of this, as well as its past success (Sujoko, 2007). These findings are consistent with those of Ulya (2020), Suranto and Walandouw (2017), Sabrin et al. (2018), Richard (2020), and Ebenezer et al. (2019), all of which found that profitability had a significant effect on the firm value.

2. Effect of debt policy on the firm value

The value of the partial regression coefficient of debt policy's (X_2) produces a probability value is equal to $0.2116 > 0.05$. As a result, H_0 is accepted and H_1 rejected, implying that debt policy has no significant effect on firm value for Islamic banks'. That is, companies that use more debt than their own capital or less debt than their own capital have no effect on the firm value of islamic banks'. However, *Basel Committee on Banking Supervision* (BCBS) and IFSB set a limit on the use of debt at 3%. There are restrictions made to avoid unnecessary and excessive speculation (Gharar). In general, it can be concluded that Islamic banks globally are still involved in the highest level of use of debt or leverage. This

research is also backed by Miller and Modigliani's capital structure theory, which expressly acknowledges that there is no relationship between funding and investment, implying that the use of or not using debt to finance investments has no impact on changes in financial performance. This is consistent with the findings of studies presented by Ulya (2020), Palupi & Hendiarto (2018), Dien Gusti & Fidiana (2020), and Kurniawati & Khair (2020), which concluded that debt policies has no significant effect on the firm value.

3. Effect of dividend policy on the firm value

The value of the partial regression coefficient of dividend policy's (X_3) produces a probability value is equal to $0.0000 < 0.05$. As a result, H_0 is rejected and H_1 is accepted, indicating that dividend policy has a significant effect on the firm value for Islamic banks'. Dividend distribution is a difficult issue in companies, including Islamic banking, because it can create agency issues between stockholders and company management, affecting firm value (Lestari, 2021). Dividend policy has a huge impact, both for investors and for companies that will pay dividends. A company's ability to pay dividends reflects the value of the company. If the dividend payment is high, then the stock price is also high. The better the company's dividend policy, the company's value will also tend to improve. This is in accordance with the research Nurhasanatang et al. (2020), Dien Gusti & Fidiana (2020), Kurniawati & Khair (2020), Sa'adah (2021), According to Putra (2015) and Palupi and Hendiarto (2018), the dividend policy has a significant effect on the firm value.

4. Effect of capital structure on the firm value

The value of the partial regression coefficient of capital structure (X_4) produces a probability value is equal to $0.0230 < 0.05$. As a result, H_0 is rejected and H_1 is accepted, indicating that capital structure has a significant effect on firm value for Islamic banks'. To reach a productive degree of performance, the capital structure must be carefully examined and controlled. As a financial institution, a bank must have adequate capital to continue to expand and conduct out all business operations in order to entice investors to invest their funds (Satria & Putri, 2021). As a result, Islamic banking is not permitted to neglect capital management. Strengthening the capital structure is carried out through banking regulatory policies in each country, taking into account economic conditions at a certain time. Therefore, Bank Indonesia applies the limits of banking soundness by determining a *Capital Adequacy Ratio* (CAR) of 8%. Whereas in international banking, banking restructuring is carried out through supervision and regulation

as contained in the 25 *basel Core Principles*, namely the risk approach, which includes market risk in calculating bank capital. This is consistent with the findings of Pangulu and Ghazali Research (2014), Fauziah and Rafiqoh (2021), Richard (2020), and Kurniawati and Khair (2020) studies, which show that capital structure has a significant effect on firm value.

Simultaneous test (Uji F)

In terms of the significance value (sig.) in the regression model, if the value of significance is $< 0,05$ and the value F counts $< F$ table, then H_0 is accepted or there is no significant effect at the same time. In contrast, if the significance value > 0.05 and the F value counts $> F$ table then H_0 is rejected or there is a simultaneous significant influence (Ghozali & Ratmono, 2017).

From the results of the F test, the probability value in table 5 value is equal to 0.000000 is less than the level of significance α , which is 0.05. This implies that in this research, the independent variables of profitability, debt policy, dividend policy, and capital structure have a simultaneous effect on the firm value for Islamic banks'.

CONCLUSION

This study aims to determine the effect of profitability, debt policy, dividend policy and capital structure on the firm value of Islamic banks'. Based on the results of data analysis which refers to the study objectives, hypotheses, and analysis models. Profitability, dividend policy and capital structure partially has a significant effect on the firm value of Islamic banks'. There is a connection to firm value, if the profitability, dividend policy, capital structure is increased, firm value will rise as well. As for debt policy partially has no significant effect on the firm value of Islamic banks'. That is, there is no connection between debt policy variables and the firm value of Islamic banks'. Profitability, debt policy, dividend policy, and capital structure have a simultaneous effect on the firm value for Islamic banks'. That is, profitability, debt policy, dividend policy, and capital structure have a significant effect on the firm value of Islamic banks'.

The main contribution of this research is particular to the firm value literature of Islamic banks' Information related to profitability, debt policy, dividend policy and capital structure, which is useful as a reference and investment decision making for third parties. As for making decisions related to the company's operational policy, it is necessary to pay attention to its feasibility and accuracy regarding the selection of sources of funds with minimal risk. This can not only

be used to achieve company goals but can also be an advantage and increase competitiveness among Islamic banks'.

This research has limitations in the independent variables used, which are only use four variables. Therefore, research on the firm value of Islamic banks still needs to be developed. For subsequent researchers, it can add other variables such as investment decisions, managerial ownership, company size and other variables that are predicted to affect the firm value. Can also add or compare the capital structure of one country's Islamic bank with Islamic banks in other countries.

REFERENCES

1. Abdullah, M. (2015). *Metodologi Penelitian Kuantitatif* (A. Istiadi & Igbal (eds.); 1st ed.). Aswaja Pressindo.
2. Azhari. (2018). Pengaruh Kebijakan Dividen, Kebijakan Hutang dan Profitabilitas Terhadap Nilai Perusahaan Manufaktur Sektor Pertambangan Yang Terdaftar Di Bursa Efek Indonesia Periode 2009-2014. *JOM Fisip*, 5(1), 1–18.
3. Buyung, S., Syaifuddin, D. T., Budi, N., & Hidayat, V. (2017). *Effect Of Debt Policy, Deviden Policy, And Profitability To Company Value In Manufacturing Company In Indonesia Stock Exchange*.
4. Darmadji, & Fakhrudin. (2011). *Pasar Modal di Indonesia Pendekatan Tanya Jawab* (3rd ed.). Salemba Empat.
5. Dien Gusti, M., & Fidiana. (2020). Pengaruh Profitabilitas, Kebijakan Dividen Dan Kebijakan Hutang Terhadap Nilai Perusahaan. *Jurnal Riset Manajemen Dan Bisnis*, 15(1), 1.
6. Ebenezer, O. O., Islam, M. A., Yusoff, W. S., & Rahman, S. (2019). The effects of liquidity risk and interest-rate risk on profitability and firm value among banks in ASEAN-5 countries. *Journal of Reviews on Global Economics*, 8(August), 337–349.
7. Fauziah, F., & Rafiqoh, R. (2021). Effect of Profitability, Company Size, Capital Structure, and Liquidity Risk on Firm Value of Indonesian Banks. *Organum: Jurnal Saintifik Manajemen Dan Akuntansi*, 4(1), 14–27.
8. Firmanto, D., Jundillah, M. L., & Widagdo, K. A. (2018). *Penelitian Deskriptif, Ekploratori, dan Eksplanatori*. 13.
9. Frastiawan David, H. S. (2020). *Sejarah Perbankan Syariah (Dari Konseptual Hingga Institusional)*.
10. Husnatarina, F., Angela, L. M., & Ramadhan, G. F. (2018). Pengaruh Kebijakan Hutang Dan Kebijakan Dividen Terhadap Nilai Perusahaan Kelompok LQ 45 Yang Terdaftar Di Bursa Efek Indonesia Tahun 2012-2016. *Jurnal RAK (Riset Akuntansi Keuangan)*, 3(1), 65–73.
11. Junjunan, M. I., & Nawangsari, A. T. (2021). *Pengolahan Data Statistik dengan Memnggunakan EViews dalam Penelitian Bisnis* (T. A. Marlin (ed.); 1st ed.). Insan Cendikia Mandiri.
12. Kim, Y. H., Rhim, J. C., & Friesner, D. L. (2007). Interrelationships among Capital Structure, Dividends, and Ownership: Evidence from South Korea. *Multinational Business Review*, 15(3), 25–42.

13. Kurniawati, T., & Khair, A. (2020). *The Impact of Capital Structure, Debt Policy, and Dividend Policy on Firm Value of Companies Listed on the LQ-45 Index*. 124, 145–153.
14. Kusumawati, R., & Rosady, I. (2018). Pengaruh Struktur Modal dan Profitabilitas terhadap Nilai Perusahaan dengan Kepemilikan Manajerial sebagai Variabel Moderasi. *Jurnal Manajemen Bisnis*, 9(2), 147–160.
15. Mahendra, P. T. (2015). Pengaruh Kebijakan Hutang, Struktur Modal Dan Profitabilitas Terhadap Aktivitas Investasi Perusahaan Manufaktur Barang Konsumsi Yang Terdaftar Di Bursa Efek Indonesia. *Eksis: Jurnal Riset Ekonomi Dan Bisnis*, 10(2).
16. Masruroh, S. A., & Wardana, G. K. (2022). The Influence of Asset Growth, Profitability, and Firm Size on the Capital Structure of Islamic Banking in the World Period 2011-2020. *Journal of Economics, Finance And Management Studies*, 05(06), 1594–1603.
17. Noviani, A. V., Atahau, A. D. R., & Robiyanto, R. (2019). Struktur modal, profitabilitas, dan nilai perusahaan: Efek moderasi Good Corporate Governance. *Jurnal Ekonomi Dan Bisnis*, 22(2), 391–415.
18. Novita Dewi Parlindungan, & Susanti, M. (2021). Faktor-Faktor Yang Mempengaruhi Nilai Perusahaan Pada Perusahaan Manufaktur Periode 2016-2018. *Jurnal Paradigma Akuntansi*, 3(1), 426.
19. Nurhasanatang, S., Taufik, T., & Azlina, N. (2020). Pengaruh kebijakan dividen, kebijakan leverage, keputusan investasi dan manajemen laba terhadap nilai perusahaan pertambangan yang terdaftar di BEI tahun 2015-2018. *Sorot*, 15(1), 13.
20. Palupi, R. S., & Hendiarto, S. (2018). Kebijakan Hutang , Profitabilitas dan Kebijakan Dividen Pada Nilai Perusahaan Properti & Real Estate. *Jurnal Ecodemica*, 2(2), 177–185.
21. Pangulu, A. L., & Ghozali, M. (2014). Pengaruh Profitabilitas, Growth Opportunity, dan Struktur Modal terhadap Nilai Perusahaan (Studi pada Perusahaan Perbankan yang Terdaftar di BEI Periode 2011-2013). *Jurnal Ilmiah Mahasiswa FEB*, 3(1), 1–13.
22. Paradiba, L., & Nainggolan, K. (2015). Pengaruh Laba Bersih Operasi Terhadap Harga Saham. *Jurnal Riset Akuntansi Dan Bisnis*, 15(1), 113–124.
23. Prabowo, D. R., & Wiweko, H. (2022). Pengaruh Kinerja Keuangan dan Kebijakan Dividen Terhadap Nilai Perusahaan. *Ekonomi Dan Bisnis E-QIEN*, 11(1), 1125 – 1136.

24. Priyono. (2016). *Metode Penelitian Kuantitatif* (T. Chandra (ed.); 1st ed.). Zifatma Publishing.
25. Putra, L. A. (2015). *Pengaruh Keputusan Investasi, Kebijakan Hutang, dan Kebijakan Dividen Terhadap Nilai Perusahaan (Studi Pada Perusahaan Properti dan Real Estate Yang Terdaftar Di Bursa Efek Indonesia)*.
26. Richard. (2020). Pengaruh Profitabilitas, Likuiditas Dan Struktur Modal terhadap Nilai Perusahaan Perbankan Yang Terdaftar Di Bursa Efek Indonesia. *Jurnal Manajemen Bisnis Dan Kewirausahaan. JURNAL MANAJEMEN BISNIS DAN KEWIRAUSAHAAN*, 4, 293–297.
27. Roficoh, L. W. (2018). Tinjauan Empirik Perkembangan Sistem Ekonomi Syariah di Eropa. *Ijtihad : Jurnal Hukum Dan Ekonomi Islam*, 12(1), 44.
28. Sa'adah, L. (2021). Pengaruh Kebijakan Deviden, Kebijakan Hutang dan Kepemilikan Institusional Terhadap Nilai Perusahaan dalam Prespektif Teori Keagenan. *Jurnal Ilmu-Ilmu Sosial*, 18(2), 500–509.
29. Sabrin, Sarita, B., Takdir, D., & Sujono. (2018). Effect of Profitability, Investment Decision on Company Value in Manufacturing Company Listed in Indonesia Stock Exchange. *Develop*, 2(2), 21–28.
30. Santoso, I. (2013). Faktor- Faktor Yang Mempengaruhi Struktur Modal Pada Perusahaan Manufaktur yang Terdaftar di BEI Tahun 2009-2011. *Jurnal Manajemen*, 12, 1–21.
31. Satria, C., & Putri, Y. S. (2021). Pengaruh Rasio Keuangan Terhadap Harga Saham Perbankan Syariah Terdaftar Bursa Efek Indonesia. *Islamic Banking : Jurnal Pemikiran Dan Pengembangan Perbankan Syariah*, 6(2), 299–320.
32. Siyoto, S., & Sodik, M. A. (2015). *Dasar Metodologi Penelitian* (Ayup (ed.); Cetakan 1). Literasi Media Publishing.
33. Sudana, I. M. (2015). *Manajemen Keuangan Perusahaan Teori dan Praktik* (2nd ed.). Erlangga.
34. Suranto, & Walandouw. (2017). Analisis Pengaruh Struktur Modal Dan Kinerja Keuangan Terhadap Nilai Perusahaan Pada Perusahaan Perbankan Di Bursa Efek Indonesia. *EMBA*, 5(2), 1031–1040.
35. Thaib, I., & Dewantoro, A. (2017). Pengaruh Profitabilitas dan Likuiditas Terhadap Nilai Perusahaan dengan Struktur Modal sebagai Variabel Intervening. *Jurnal Riset Perbankan, Manajemen, Dan Akuntansi*, 1(1), 25.

36. Ulya, H. (2020). *Analisis Pengaruh Kebijakan Hutang, Kebijakan Dividen, Profitabilitas, Kinerja Perusahaan Dan Keputusan Investasi Terhadap Nilai Perusahaan*. 1(2), 274–282.
37. Yudistira, I. G. Y., Mendra, N. P. Y., & Saitri, P. W. (2021). Pengaruh Pertumbuhan Aset, Profitabilitas, Kepemilikan Institusional, dan Kebijakan Dividen Terhadap Nilai Perusahaan. *Karya Riset Mahasiswa Akuntansi*, 1(1), 239–249.