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The Effect of ALMA, Equity, and Liabilities on Financial Performance and Company Value of Indonesian Banks

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Abstract

This study was designed to identify the influence of Asset and Liability Management (ALMA), equity, and liabilities on financial performance and the value of banking companies in Indonesia. ALMA is a crucial strategy for maintaining bank financial stability through balanced asset and liability management. Meanwhile, equity and liabilities reflect the capital structure, which underpins a bank's ability to absorb risk and sustainably operate.This study utilizes an explanatory quantitative method that empirically explains the relationships between variables.The data for this study were obtained from the financial statements of the banks selected as the sample. The research findings demonstrate that ALMA and equity positively influence financial performance, while liabilities negatively influence it. Furthermore, financial performance has been shown to play a significant role in increasing company value. These findings indicate that effective asset and liability management, along with a strong capital structure, can generate positive performance and enhance investor perceptions of bank company value. This study is expected to contribute to broadening financial management insights and serve as a reference for the banking industry in developing more effective financial management strategies

***Keywords**: Asset and Liability Management; Equity; Liabilities; Financial Performance; Company Value; Indonesian Banking.*

I. INTRODUCTION

The banking sector is one of the main pillars of the financial system, acting as a link between fund providers and fund users(Faried et al., 2025). Banks not only function to channel credit, but also maintain the stability of the financial system through sound management of assets and liabilities. In carrying out their functions(IKHSAN LUBIS, TARSISIUS MURWADJI, SUNARMI, DETANIA SUKARJA, 2023), banks face various risks, such as market risk, interest rate risk, and liquidity risk. Therefore, Asset and Liability Management (ALMA) is an important aspect that must be considered to maintain performance and operational sustainability(Amin & Hasanuddin, 2025). ALMA enables banks to ensure that their funding and placement structures remain efficient and capable of coping with changing economic conditions(Challoumis, 2024).

In addition to ALMA, the capital structure consisting of equity and liabilities also plays an important role in determining a company's financial (Hasibuan, 2022)strength. Equity reflects the company's internal ability to absorb risk and support business expansion, while liabilities indicate the extent to which the company relies on external funding(Falato et al., 2022). The balance between the two affects profitability and financial risk. Banks with strong equity generally have more(Syahputra Novelan & Iqbal, 2025) room to grow, while excessive liabilities will increase interest expenses and reduce performance(Peng & Tao, 2022).

Financial performance is a key indicator in measuring the effectiveness of ALMA management and capital structure. Good performance not only(Li & Xia, 2024) reflects efficiency, but can also increase investor confidence and strengthen the company's valuation(Hardiyansah et al., 2021). This valuation reflects the market's view of the bank's opportunities and financial health. Given the importance of these factors, this study was conducted to identify the impact of ALMA, equity, and liabilities on the financial performance and valuation of banking companies in Indonesia. It is hoped and that this study will contribute to the banking finance literature and serve as a source of information for decision makers.

II. RESEARCH METHODOLOGY

This study uses a quantitative method to analyze the causal relationship between Asset and Liability Management (ALMA), equity, and liabilities variables on the financial performance and value of banking companies. This method was chosen because it allows for the ability to identify factual relationships between indicators based on numbers. This study is explanatory research, describing the influence of

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independent variables on the dependent variable based on statistical analysis.

This study draws on secondary data obtained from annual reports and banking financial reports. This data includes the NIM or LDR as an ALMA indicator, total equity, total liabilities, ROA or ROE as financial performance indicators, and PBV to measure corporate value. Furthermore, the sample was determined using a purposive sampling method, adapting to the characteristics of banks with complete data for all study variables.

This data analysis was conducted through multiple regression, the purpose of which was to identify the direct impact between variables. The data processing stages included descriptive statistical testing, classical assumption testing, regression testing, t-testing, F-testing, and coefficient of determination testing. The research model consisted of two equations: the effect of ALMA, equity, and liabilities on financial performance, and the effect of these three variables plus financial performance on firm value.

III. RESULTS AND DISCUSSION

The results of this study demonstrate that Asset and Liability Management (ALMA), equity, and liabilities also have a clear influence on the financial performance and valuation of banking companies. Based on the analysis, it is proven that banks that implement ALMA tactics appropriately will stabilize financial performance and achieve higher profitability. This is reflected in the bank's ability to maintain a balance between productive assets and short-term liabilities, thereby reducing the possibility of liquidity and interest rate problems. The results of this discussion align with the theoretical concept of ALMA, which explains that appropriate asset and liability management tactics will increase funding efficiency and net interest income.

This study also demonstrated that equity positively contributes to financial performance. Banks with higher equity levels have greater scope to disburse credit, expand their business, and absorb potential losses. Adequate capital reflects financial stability and reduces the level of risk a company faces. This contributes to increased profitability, which in turn drives overall financial performance. Meanwhile, higher equity provides a positive signal to investors because it demonstrates the strength of a bank's capital structure.

In contrast to equity, liabilities in this study tended to have a negative impact on financial performance. Increasing liabilities, particularly those arising from third- party funds, increase the cost of funds borne by banks. If this increase in liabilities is not offset by growth in productive assets, such as credit distribution, banks' profit margins will decline. This finding reinforces the view that liability management must be implemented carefully to avoid reducing profitability.

Furthermore, research findings demonstrate that financial performance plays a vital role in determining company valuation. Banks that achieve high profitability are perceived as more attractive by the market. Good financial performance increases investor confidence, strengthens the company's reputation, and reflects managerial competence in optimally utilizing potential. This ultimately increases the company's valuation, both through share price increases and valuation ratios such as Price to Book Value (PBV).

The direct relationship between ALMA and firm value is also evident in this study. Banks that successfully optimize ALMA tend to have lower risk profiles and stronger funding stability. This stability increases positive perceptions from shareholders and potential investors, which in turn increases firm value. Meanwhile, equity again demonstrates a positive influence on firm value because companies with strong capital structures are perceived as more secure and able to withstand difficult economic conditions.

Conversely, liabilities were found to have a negative impact on firm value. High liabilities reflect a heavy dependence on external funding sources, which can increase financial risk and tarnish the company's image among investors. Investors lower their assessment of banks with high levels of liabilities because they are perceived to have a greater risk of default and high funding costs. Overall, the results of this study confirm that ALMA, equity, and liabilities play a vital role in influencing the financial performance and valuation of banks. Financial performance has been shown to be a bridging variable between the influence of financial structure and firm value. Therefore, banks need to emphasize more efficient asset and liability management strategies, strengthen capital, and control liability growth to increase profitability and create sustainable firm value.

IV. CONCLUSION

This study proves that the management of ALMA, equity, and liabilities plays an important role in optimizing a bank's financial performance. Stable financial performance then contributes positively to an increase in company value, which is a key indicator for investors in assessing a bank's future prospects. These findings confirm that financial stability and risk management are key elements in maintaining the competitiveness of financial services. It is hoped that this study can be used as a guideline, especially for bank management in formulating more effective financial strategies. In the future, research can be expanded by using data from more companies and additional variables.

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V. RECOMMENDATIONS

Further research is recommended to expand the scope of the study by adding other variables that could potentially affect the financial performance and value of banking companies in Indonesia. In addition to ALMA, equity, and liabilities, future research could include factors such as risk management, operational efficiency, corporate governance quality, and macroeconomic conditions to make the research results more comprehensive.

In addition, future research could use longer observation periods and larger bank samples so that the results are more representative and able to describe the overall condition of the banking industry. The scope of the research could also be expanded to include comparisons between conventional banks and Islamic banks to provide a broader perspective.

Penelitian selanjutnya juga disarankan untuk menggunakan metode analisis yang lebih beragam atau kompleks, seperti model data panel dinamis atau pendekatan struktural, guna meningkatkan akurasi hasil penelitian dan meminimalkan potensi bias. Dengan demikian, penelitian di masa mendatang diharapkan dapat mengatasi keterbatasan penelitian ini dan menghasilkan temuan yang lebih kuat serta mendalam.

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