ABSTRACT

This study aims to empirically analyze the impact of digitalization and financial performance on firm value in banking sub-sector companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2023 period. Firm value, as the dependent variable, is proxied by Tobin's Q. The independent variable of financial performance is measured using Debt to Equity Ratio (DER), while digitalization is measured using a dummy variable based on the disclosure of technology adoption information in annual reports. This research employs a quantitative approach with panel data from 36 banking companies, yielding 180 total observations. Data were analyzed using the panel data regression method, with the Random Effect Model (REM) selected as the best-fit estimation model through the Chow, Hausman, and Lagrange Multiplier tests.

The results indicate that both partially and simultaneously, the variables of digitalization and Debt to Equity Ratio have no significant effect on firm value. This finding is reinforced by a very low coefficient of determination (R^2) of 0.66%, indicating the limited ability of these three variables to explain the variation in firm value during the research period. These findings imply that signals from digitalization adoption and conventional financial performance metrics have not yet become primary determinants of firm value for investors. Consequently, this study contributes significantly by providing crucial empirical evidence for investors and management in formulating technology-based investment strategies, while also enriching the understanding of signaling theory within the context of Indonesia's transforming banking market.

Keywords: *Digitalization, Financial Performance, Firm Value, Banking Industry, Tobin'sQ*