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Bancassurance On The Value Of Banking Companies In Asia Pacific: Profitability As A Mediating Variable

Bancassurance Terhadap Nilai Perusahaan Perbankan Di Asia Pasifik: Profitabilitas Sebagai Variabel Mediasi

Luthfia Afifah[1*] , Efa Yonnedi[2]
Departemen Ekonomi dan Bisnis, Universitas Andalas[1,2]
luthfiaafifah2@gmail.com[1], efayonnedi@eb.unand.ac.id[2]

**Corresponding Author*

ABSTRACT
High competition in the financial sector forces banks to increase non-interest income to be able to escape the banking crisis and compete in the global economy, one of which is through *bancassurance cooperation* . This research was conducted to determine the effect of *bancassurance* on banking firm value with profitability as a mediating variable. The research sample consisted of 142 conventional commercial banks listed on the stock exchanges of each APEC member country and available in the eikon reflective database for the 2016-2022 period which were selected by *purposive sampling* . Panel data regression was performed to test the direct effect, followed by the Sobel test to test the indirect effect. The results of the study show that *bancassurance* has a significant direct or indirect effect on the value of banking companies through bank profitability. *Bancassurance* commissions obtained by banks are able to increase *fee-based income* and generate greater bank profitability, thus encouraging an increase in the value of banking companies. Positive results of bancassurance on banking profitability and value, are expected to encourage APEC member countries to further optimize bancassurance supported by regulations from the government.
Keyword: Bancassurance; Banking Firm Value; Profitability

ABSTRAK
Persaingan sektor keuangan yang tinggi membuat bank harus meningkatkan pendapatan non-bunga untuk mampu lepas dari krisis perbankan dan bersaing dan di era ekonomi global, salah satunya melalui upaya kerjasama *bancassurance*. Penelitian ini dilakukan untuk mengetahui pengaruh *bancassurance* terhadap nilai perusahaan perbankan dengan rentabilitas sebagai variabel mediasi. Sampel penelitian terdiri dari 142 bank umum konvensional yang listed di bursa efek masing-masing negara anggota APEC dan tersedia dalam database refenitif eikon untuk periode 2016-2022 yang dipilih secara *purposive sampling*. Regresi data panel dilakukan untuk menguji pengaruh langsung, diikuti uji sobel untuk menguji pengaruh tidak langsung. Hasil penelitian menunjukkan bahwa *bancassurance* berpengaruh signifikan secara langsung maupun tidak langsung terhadap nilai perusahaan perbankan melalui rentabilitas bank. Komisi *bancassurance* yang diperoleh bank mampu meningkatkan *fee based income* dan menghasilkan rentabilitas bank yang lebih besar sehingga mendorong peningkatan nilai perusahaan perbankan. Hasil positif *bancassurance* terhadap rentabilitas dan nilai perusahaan perbankan, diharapkan dapat mendorong negara anggota APEC agar lebih mengoptimalkan *bancassurance* dengan didukung regulasi dari pemerintah.
Kata Kunci: Bancassurance; Nilai Perusahaan Perbankan; Profitabilitas

1. Introduction

The financial sector has a high level of competition. The financial sector consists of banking institutions and non-bank institutions (Kasmir, 2012). Non-bank institutions, such as insurance, are constrained by a high level of competition amidst low insurance literacy. Many people are still reluctant to buy insurance products. This can be seen in one of the APEC member countries, namely Indonesia, whose level of insurance financial literacy and inclusion is still low. There is a difference of 15.09% between insurance financial literacy and inclusion in

Indonesia. This means that people are considered to have awareness of the importance of insurance to protect themselves in old age, but there are still many who have not made the decision to buy insurance products. So that in order to continue to survive, insurance institutions are required to expand their market share.

High competition also occurred in banks and even led to a banking crisis. A conventional view of " *competition fragility"* states that increasingly fierce competition will reduce the power of banks and encourage banks to take greater risks in an effort to achieve higher profits (Wibowo, 2016) . Intense competition between banks occurs in various activities. Competition for deposits will also erode the prudent attitude of banks. Helmand et al. in (Wibowo, 2016) observed banking crises in the United States and Japan, then identified bank behavior that took excessive risks as a source of causes of banking crises. The banking crisis that occurred forced banks to have other ways of obtaining income to support their operational activities and continue to survive in the market.

To overcome these challenges and complaints, a collaborative product called *bancassurance was developed* . *Bancassurance* is a product of a partnership between a bank and an insurance company (Sendra, 2007) . *Bancassurance* promises a solution to the long-term financial problems of the financial sector from several institutions, namely insurance companies and banks as well.

McKinsey & Company which is a multinational institution belonging to the United States. McKinsey informed that in Asia Pacific, *bancassurance* is the second life insurance channel preference after agents with an average of 31% in 2018. The development of *bancassurance* in each of the well-known APEC member countries such as China (31%), Japan (24%), Korea South (22%), Mexico (24%), America (10%), and Canada are not yet indexed by *bancassurance* (McKinsey, 2021) .

Some of the APEC member countries are superpower countries which are the center of the world economy, such as the United States, China, Japan, India, and the rest are developing countries that have potential in world trade (Wang and Lin, 2021) . Any policies made by these countries will have an impact, and even be followed by other countries. So that testing the effects of *bancassurance on bank performance in APEC (Asia Pacific Economic Cooperation)* member countries , can provide empirical evidence and information for decision makers about *bancassurance* .

Bancassurance not only increases the bank's *fee-based income* but also has a long-term effect on the relationship between the bank and its customers and has a positive impact on bank value. That is, this *bancassurance* will increase the positive outlook and the desire of investors to invest in banks that have *bancassurance* . Increased investor interest will increase the number of requests for bank shares in the capital market, so that bank share prices will increase. This reflects an increase in the value of banking companies.

bancassurance commissions are not directly published in the financial statements of each bank. Thus, to assess the effect of *bancassurance* on investors' interest in investing in banks, a mediating variable is needed. Several previous studies on other topics have shown consistent results, namely that there is a significant relationship between profitability and firm value. Then several *bancassurance*- themed studies also revealed that there was an influence between *bancassurance commissions* on profitability. Based on these findings, it is possible that profitability can be a mediating variable in the relationship between *bancassurance commissions* and firm value.

Quantitative research on *bancassurance* has not been widely studied. The results of previous studies are still contradictory. The latest research on the topic of *bancassurance* was conducted by Afifah (2022). Afifah found that *bancassurance* had a significant effect on ROA but not significantly on the efficiency of banks in Southeast Asia. Previously in 2019, Tanta also pointed out that *bancassurance* had no effect on efficiency and profitability, but showed a positive impact on bank profitability in Indonesia. Prapanca R. Pambudi in 2018 found that, the effect of *bancassurance* on the profitability of banks in Indonesia proxied by Return on Assets (ROA) is significant, while the effect on profitability shown by Return on Equity (ROE) is not significant (Pambudi 2018) . Likewise in research conducted by Fiordelisi and Ricci (2011) which showed the results that the existence of *cost efficiency* in banks in Italy was not affected by the existence of *bancassurance* .

Contrary to the results of the research mentioned above, Peng et al. in 2017 found that *bancassurance* was able to influence the efficiency and profitability of banks in Taiwan. The higher the bank's involvement in *bancassurance* , the higher the increase in overall bank performance. In addition , Arora and Jain (2013) concluded that *bancassurance* had a positive and significant effect on the profitability of banking companies in India. Descriptive research conducted by Bergendahl (1995) entitled " *the profitability of bancassurance for European banks* " also shows the results that *bancassurance* is able to provide benefits or advantages for banks.

In addition, other research topics have also become modified references in this *bancassurance research* , namely research conducted by Asni and Agustia (2021) , Nuryaman (2015), and Niyas and Kavida (2023) . Asni and Agustia (2021) examine the mediating role of financial performance in the relationship between *green innovation* and the value of manufacturing companies in ASEAN. The results of the study reveal that ROA and ROE have a positive and significant effect on firm value. The role of profitability resulting from the company's ability to continue to innovate, has a positive impact on value creation by the company. *Bancassurance* is considered as a manifestation of the company's ability to continue to innovate.

The research that will be carried out will also continue Afifah's 2022 criticism of the size of the independent variable *bancassurance* research by Tanta (2019) and Pambudi (2018). In the financial statements there is no post that specifically states the amount of the bank's *bancassurance commission* from the insurance company. The relevant items presented in the financial statements are other fees and commissions. Both of these studies use bancassurance commission data from provision posts and other commissions in the financial statements. These other fees and commissions are defined as an integral part of the effective interest rate on assets or liabilities, which includes commission income and other fees related to *bancassurance activities* , export-import, cash management, fees for services that have a certain period of time. So that the post is not pure as bank *bancassurance commission data from insurance.* To overcome this, this study will use *bancassurance commissions* from *Insurance Commissions, Fees, and Premiums* in the *eikon definitive database. thomson reuters* .

The results of this study are expected to enrich the literature and consistent understanding of the role of *bancassurance* on bank performance as represented by the profitability ratio. This research will also be the initial literature on the role of *bancassurance* on the value of banking companies in the eyes of investors in both developed and developing countries. It is hoped that the results of this research will contribute to study material for *bancassurance* regulations in countries that have not implemented them optimally and will be used as a benchmark for other countries that follow the policies of developed countries and superpowers such as America, China, Japan which are members of APEC.

The long-term nature of life insurance, whose target market is always increasing in line with population growth, will of course also increase income stability, thus increasing bank prospects for more sustainable performance and profitability. It is known that the commission received from *bancassurance* will increase the bank's *fee-based income* , which will increase bank profits and will also increase bank profitability. The results of Afifah's research (2022) state that *bancassurance* has a significant effect on bank profitability (ROA). Likewise with the opinion of Peng et al. (2017) that from his research on banks in Taiwan, *bancassurance* has a positive impact on bank efficiency and profitability which is projected through the ROA and ROE ratios. Arora and Jain (2013) and Bergendahl (1995) stated that there were positive impacts on the profitability of banks using the *bancassurance distribution channel* .

Then, based on the management role that will work to maximize profits and satisfy the interests of stakeholders *,* then *bancassurance* will be carried out in such a way as to increase revenue by keeping costs incurred to a minimum. B *ancassurance* can increase bank profitability as measured by the ROA ratio, so that a hypothesis can be formulated, namely:

H_1 : *Bancassurance* has a significant effect on bank profitability as measured by the ROA ratio.

In order to achieve the company's goal of maximizing the value of the company, managers play an important role in maximizing the value of a company. In the stakeholder theory concept, maximizing firm value is very important for the company, because by maximizing firm value it can also maximize shareholder prosperity which is the goal of the company (Pratiwi, Nurlaela, and Chomsatu, 2022) . Tobin's Q is one of the indicators used to measure company performance, especially regarding company value which indicates a management performance in managing company assets.

Signal theory states that information signaled by management is information that reflects the condition of a company (Spence, 1973) . Information submitted and received by investors will be interpreted and analyzed in advance so that it can be assessed whether the information is considered a positive signal (good news) or a negative signal (bad news). If the information received by potential investors is positive, it means that investors will respond positively, investors will be interested in taking further steps to invest, which will cause an increase in the company's stock price and vice versa. (Azhar and Wijayanto, 2018) .

Based on relevant previous research, Niyas and Kavida (2023) in their research on the impact of *financial brands* on profitability and company value in India revealed that *financial brands* have a positive impact on profitability and company value. Tridewi (2016) tested the effect of investment decisions, funding and dividend policies on firm value. Tridewi concluded that investment and funding decisions have a positive effect on firm value. Nuryaman (2015) analyzed the effect of *intellectual capital* on firm value with financial performance as an intervening variable. The research results reveal that *intellectual capital* has a positive effect on firm value. Intellectual capital (IC) is part of the company's knowledge assets, which are one of the intangible assets. Intellectual capital is a knowledge-based corporate resource. Intellectual capital can create added value for the company. The company's intellectual capacity will increase investor confidence, so that it can have an impact on increasing company value.

Bancassurance can also be categorized as a company policy that utilizes bank resource assets to increase profits and customer loyalty. *Bancassurance* is a form of funding decision that can be a strategy that has a positive impact on banking companies (Arora and Jain, 2013; Bergendahl, 1995) . *Bancassurance* can increase bank income, will automatically increase profits including profits that will be distributed to investors. This is a positive signal, so that the existence of *bancassurance* at the bank can increase the value of the company in the form of a positive response from investors in the stock market. Therefore, a hypothesis can be formulated, namely:

H_2 : *Bancassurance* has a significant effect on the value of banking companies as measured by the tobins ratio q.

Good financial performance is very important for a company to be able to maintain the existence of a company that is listed as a worthy investment for the company. Firm value is the investor's perception of the company, which is often associated with the company's market performance or the company's stock price. Market performance is a measure of company performance that combines investment returns and company risk, so market performance is more comprehensive than other performance measures. The value of the company can be measured by the value of the stock price in the market which reflects the public's appreciation of the actual performance of the company. The higher the company value, the greater the prosperity that shareholders receive (Pratiwi, Nurlaela, and Chomsatu, 2022).

Based on the stakeholder theory, management will plan and run the business with the aim of satisfying the interests of the stakeholders or *stakeholders* . So management will be in the form of increasing income and profitability in order to fairly increase stakeholder satisfaction (Harrison and Wicks 2013; Phillips, Freeman, and Wicks 2003) . Greeted by the concept of signal theory, an increase in firm performance will give a positive signal and increase firm value . Consistent results from several studies related to the relationship between profitability and company value conducted by Azhar and Wijayanto (2018); Hamidy, Wiksuana, and Artini (2015); Klein and Weill (2022); Mehzabin et al. (2022); Sofiatin (2020) says that increasing financial performance through profitability ratios such as ROA and ROE causes an increase in demand for shares by investors, so that the company's value increases. So that the hypothesis can be formulated, namely:

H_3 : Profitability as measured by ROA has a significant effect on the value of banking companies as measured by the ratio of tobins q.

Bancassurance will be able to increase productivity and financial performance, more specifically good profitability (Afifah 2022; Arora and Jain 2013; Bergendahl 1995; Peng et al. 2017) . *Bancassurance* will increase the value of banking companies when the bank's profitability or profitability increases. Thus, financial performance can act as a mediating variable in the relationship between intellectual capital and firm value. The hypothesis formulated is:

H_4 : *Bancassurance* has a significant effect on the value of banking companies mediated by ROA.

2. Research Methods

This study aims to analyze the effect of *bancassurance* on banking firm value mediated by the profitability of conventional commercial banks in Asia Pacific. The sampling technique by means of *purposive sampling* is carried out by considering the existence of certain limitations and criteria in order to obtain a representative sample in accordance with the specified criteria. These criteria include:

1. All conventional commercial banks of each APEC member country are available in the Thomsonreuters eikon definitive database for the 2016-2022 period.
2. The bank provides complete information regarding *bancassurance commissions,* ROA, tobins Q, CAR, bank size, and information on ownership of insurance subsidiaries.

Variable Definition :

1. The independent variable or independent variable (X) is a variable that influences the dependent variable both negatively and positively (Sekaran, 2003) . The independent variable in this study is the *bancassurance ratio* which follows the ratio in previous research by Peng et al. (2017) which measured the formula:

   Bancassurance ratio $=\frac{\text{komisi } bancassurance}{\text{total pendapatan bunga dan pendapatan non bunga bank}}$
2. The dependent variable or dependent variable (Y) is the variable that is the main concern and is influenced both negatively and positively by other variables (Sekaran, 2003). The dependent variable in this study is firm value as measured by Tobin's Q. This ratio is adopted from other relevant theories and research models related to firm value (Asni and Agustia 2021; Dzahabiyya, Jhoansyah, and Danial 2020; Scharfenaker and dos Santos 2015) . The formula for the Tobins ratio Q is:

$$\text{Tobin's Q} = \frac{\text{nilai pasar saham beredar+total liabilitas}}{total\ asset}$$

3. Mediation or intervening variables are variables that affect dependent and independent relationships into direct and indirect relationships that can be observed and measured (Sekaran, 2003). In this study, the mediating variable is the ROA (Return on Total Assets) profitability ratio. The mediating variable is the ROA (Return on Total Assets) profitability ratio. The ROA ratio is a measure of the ability of bank management to earn income based on assets owned as a whole. The formula for finding the ROA (Return on Total Assets) ratio is:

$$\text{ROA} = \frac{\text{net income}}{total\ aset}\ x\ 100\%$$

4. Control variable
Control variables are variables that are controlled so that the influence of independent variables on the dependent variable is not influenced by external factors, so that research results are not biased (Sekaran, 2003). The control variables in this study are CAR, bank size, subsidiary ownership dummy and developed or developing country status.

3. Results And Discussion

Because this study uses mediating variables, sample testing will be carried out in two sub-structurals. Sub structural 1 is the effect of X on the mediating variable, and sub structural 2 is the effect of X on Y. The results of hypothesis testing are described in table 1 :

Table 1. test results of hypotesis

Sub structural 1: on ROA		Sub structural 2: against tobins Q	
Variable	Sign Value	Variable	Sign Value
bancassurance ratio	0.0000	bancassurance ratio	0.0000
CAR	0.1337	CAR	0.8968
Bank size	0.0015	Bank size	0.0000
Subsidiary ownership	0.0132	Subsidiary ownership	0.2126
country status	0.0000	country status	0.0000
F test	0.0000	ROA	0.0000
The coefficient of determination	0.131346	F test	0.0000
		Sobel test	4.02
		The coefficient of determination	0.209162

Source: Secondary data processing, 2023

1. The Effect of *Bancassurance* on Company Profitability
Based on the results of the regression test in table 1, the independent *bancassurance variables* and control variables (CAR, bank size, subsidiary ownership, and state status) have limited ability to explain the dependent variable as well as mediate ROA, namely only 13.13%. The significance value (sign.) of 0.0000 is less than the probability value of 0.05, it means that the value of the independent variable *bancassurance* has a significant influence on the dependent variable ROA. So it can be concluded that H1 is accepted.
These results are in accordance with previous research literature conducted by Afifah, Peng, et al, Arora and Jain and Bergandahl. The results of Afifah's research (2022) state that *bancassurance* has a significant effect on bank profitability (ROA). Likewise with the opinion of Peng et al. (2017) that from his research on banks in Taiwan, *bancassurance* has a positive impact on bank efficiency and profitability which is projected through the ROA and ROE ratios. Arora and Jain (2013) and Bergendahl (1995) stated that there were positive impacts on the profitability of banks using the *bancassurance distribution channel.*

Commissions obtained from *bancassurance* , although limited to only 13.13% of the bank's total income, will still increase *fee-based income,* and this *fee-based income will add to the bank's total income.* Increasing total bank revenue will increase bank profitability, assuming that the bank's total operating expenses with *bancassurance* do not increase significantly. This is because the bank's fixed costs, such as employee salary expenses, remain the same for *bancassurance* , but can generate more types of income (Mamun, Meier, and Wilson, 2023) . Increasing profitability is in line with stakeholder theory, that the goal of company management is to maximize profits for the greatest amount of stakeholder prosperity (Harrison and Wicks, 2013) .

The long-term nature of life insurance, whose target market is always increasing in line with population growth, will of course also increase income stability, thus increasing bank prospects for more sustainable performance and profitability. It is known that the commission received from *bancassurance* will increase the bank's *fee-based income* , which will increase bank profits and will also increase bank profitability. This increase in profits and profitability is in line with the company's goal of maximizing profits for the prosperity of stakeholders.

The results of the f test state that together, the variable bancassurance ratio and the control variable CAR, bank size, subsidiary ownership and state status have an effect on ROA. All control variables are partially able to influence ROA, except CAR. CAR is a ratio that assesses the ability of capital to finance operational activities, provide funds for customers, diversify and overcome the risk of loss. In this study CAR has no significant effect on ROA. This condition indicates that banks do not use all of their potential capital to increase bank profitability, in other words, many funds are simply accommodated without channeling them to third parties. This condition is also found in Maria's research (2015) where CAR also has no effect on ROA. CAR was also found to have increased after the covid pandemic, which means that after the pandemic increased banks increased their capital ratios to overcome risks that might occur. By increasing the CAR ratio, the bank adds unused funds to maintain the risk of failure which will result in losses for the bank. This ensures a safer return on investment for shareholders and depositors (Abdul Karim et al., 2014) .

2. **The Effect *of Bancassurance* on the Value of Banking Companies**

Based on the results of the regression test in table 1, the independent *bancassurance variables* and control variables (CAR, bank size, subsidiary ownership, and state status) have limited ability to explain the dependent variable Tobins Q, which is only 20.92%. The significance value (sign.) of 0.0000 is less than the probability value of 0.05, it means that the value of the independent variable *bancassurance* has a significant influence on the dependent variable Tobins Q. So it can be concluded that H2 is accepted.

This result is in line with signal theory and stakeholder theory. The company's goal is to maximize the profit earned. In the concept of stakeholder theory, maximizing profits is very important for companies, because by maximizing profits this means maximizing the prosperity of shareholders which is the goal of the company (Pratiwi, Nurlaela, and Chomsatu, 2022). Tobin's Q is one of the indicators used to measure company performance, especially regarding company value which indicates a management performance in managing company assets.

The profit earned or the policies adopted by the company's management to increase profits, is valuable information in the eyes of investors. Signal theory states that information signaled by management is information that reflects the condition of a company (Spence, 1973). Information submitted and received by investors will be interpreted and analyzed in advance so that it can be assessed whether the information is considered a positive signal (good news) or a negative signal (bad news). If the information received by potential investors is positive, it means that investors will respond positively, investors will be interested in taking further steps to invest, which will cause an increase in the company's stock price and vice versa (Azhar and Wijayanto, 2018).

From the test results, the value of *the bancassurance ratio* has a significant influence on the value of banking companies in the eyes of investors. So that it can be said, information about the existence of a *bancassurance policy* used by banking management to increase profits is seen as positive information that will increase investor interest in investing. This is because the existence of bancassurance is able to increase bank income and profitability as evidenced in hypothesis 1 which is accepted. The results of the f test stated that together, the bancassurance ratio variable and the control variable CAR, bank size, subsidiary ownership and state status had an effect on tobins Q. The control variable was partially able to influence tobins Q, except for CAR, and subsidiary ownership. In this study CAR did not have a significant effect on tobins Q. This condition indicates that banks do not use all of their capital potential to increase bank profitability, in other words, many funds are simply accommodated without being distributed to third parties (Maria, 2015) . CAR which does not affect profitability, of course, is also not positive information for investors. So that the information regarding CAR in this study is not taken into account by investors in buying bank stocks.

Then the ownership of the subsidiary (*subsidiary company*) also does not affect the increase in the value of the company in the eyes of investors. This is not in line with the variable ability of subsidiary ownership to increase ROA. This was also found by the research of Hernández-Trasobares and Galve-Górriz (2017) . Their research provides new evidence about family control and the degree of diversification in market evaluations. The results confirm that there is a relationship between family control and performance, and that family control has little effect on the effect of diversification on performance, as measured by the Tobin's q value.

The use of tobin's q as a performance measure also shows investors' expectations not only for the listed parent company, but also for the entire business group. Although family groups seek business continuity and have a long-term perspective, the high concentration of shares owned by family members can create problems between majority and minority shareholders (Hernández-Trasobares and Galve-Górriz, 2017) . So that it can be said that although the ownership of a subsidiary company can increase bank profitability, the relatively large parent ownership is a negative signal for investors. Ownership that is large enough is considered to cause large agency costs and conflicts of interest so as not to affect the prosperity of minority shareholders. So this information is not too concerned by investors.

3. The Effect of Profitability on Banking Company Value

Based on the results of the regression test in table 1, the independent variable earnings with the dependent variable the value of banking companies as measured by the tobins Q ratio has an effect and is significant. The coefficient value of the independent variable profitability is 3.019146 which indicates that every increase of one unit of ROA will increase tobins Q by 3.019146. The significance value (sign.) of ROA to Tobin's Q is 0.0031. This value is greater than the probability value of 0.05, which means that the value of the independent variable ROA has a significant influence on the dependent variable Tobins Q. So it can be concluded that H3 is accepted.

Based on the stakeholder theory, management will plan and run the business with the aim of satisfying the interests of the stakeholders or stakeholders. So management will be in the form of increasing income and profitability in order to fairly increase stakeholder satisfaction (Harrison and Wicks 2013; Phillips et al. 2003). Welcomed by the concept of signal theory, an increase in firm performance will give a positive signal and increase firm value. Consistent results from several studies related to the relationship between profitability and company value conducted by Azhar and Wijayanto (2018); Hamidy, Wiksuana, and Artini (2015); Klein and Weill (2022); Mehzabin et al. (2022); Sofiatin (2020) says that increasing financial performance through profitability ratios such as ROA and ROE causes an increase in demand for shares by investors, so that the company's value increases.

Good financial performance is very important for a company to be able to maintain the existence of a company that is listed as a worthy investment for the company. Profitability is a ratio that describes the company's performance. which measures the ability of bank management to generate income based on assets owned as a whole. Earnings as represented by the ROA ratio measure the ability of bank management to obtain earnings based on assets owned as a whole. The greater the ROA ratio, the better (Kasmir, 2012). A high ROA value will certainly be positive information that is interpreted by investors to choose the bank as a place of investment.

Firm value is the investor's perception of the company, which is often associated with the company's market performance or the company's stock price. Market performance is a measure of company performance that combines investment returns and company risk, so market performance is more comprehensive than other performance measures. The value of the stock price in the market reflects the public's appreciation of the company's actual performance. The higher the profit generated by the company, the higher the market value of the company, the greater the prosperity that shareholders receive (Pratiwi, Nurlaela, and Chomsatu, 2022).

4. The Effect *of Bancassurance* on the Value of Banking Companies Mediated by Bank Rentability

Based on the calculation of the Sobel test, the t value of 4.02 is obtained. The t table value for this data is 1.96 . The calculated t value when compared to the t table value is 4.02 > 1.96. This means that the ROA variable can mediate the effect of the *bancassurance ratio* on banking firm value as measured by the tobins Q ratio. So it can be concluded that H4 is accepted.

Based on the results of tests conducted, *bancassurance* will be able to increase productivity and financial performance, more specifically good profitability. Good financial performance will certainly attract investors to invest in the company, which in turn will encourage an increase in stock prices and company value. Investors will give higher value to companies that are able to show good financial performance.

Examination of the mediating role of earnings on the effect of *bancassurance* on banking firm value is the first study. So that no literature has been found to compare the value of the test results. However, there are several relevant studies that also support the results of research on the positive effect of bancassurance on banking firm value mediated by ROA. in the research of various factors such as *green innovation* by Asni and Agustia (2021), capital structure by ; Hamidy, Wiksuana, and Artini (2015), CSR and CG by Khasanah and Sucipto (2020) and Putri Dianawati and Rokhmi Fuadati (2016), *intellectual capital* by Nuryaman (2015), and funding decisions by Tridewi (2016) on company value that positive effect when mediated by profitability.

Bancassurance will be able to increase productivity and financial performance, more specifically good profitability (Afifah 2022; Arora and Jain 2013; Bergendahl 1995; Peng et al. 2017) . *Bancassurance* will increase the value of banking companies when the bank's profitability or profitability increases. Thus, profitability can act as a mediating variable in the relationship between bancassurance and firm value.

4. Conclusion

Bancassurance has a significant effect on bank profitability as measured by ROA. Commissions obtained from *bancassurance* , although limited to only 13.13% of the bank's total income, will still increase *fee-based income,* and this *fee-based income will add to the bank's total income.* Increasing total bank revenue will increase bank profitability, assuming that the bank's total operating expenses with *bancassurance* do not increase significantly.

Bancassurance has a significant effect on banking company value as measured by the tobin's Q ratio. Information on the *bancassurance policy* used by banking management to increase profits is seen as positive information that will increase investor interest in investing. This is because the existence of *bancassurance* can increase bank income and profitability

Bank profitability as measured by ROA has a significant effect on the value of banking companies. Good financial performance is very important for a company to be able to maintain the existence of a company that is listed as a worthy investment for the company. The higher the profit generated by the company, the higher the market value of the company, the greater the prosperity that shareholders receive.

Bancassurance has a significant effect on banking company value and ROA is able to mediate *bancassurance* and banking company value. Good financial performance will certainly attract investors to invest in the company, which in turn will encourage an increase in stock prices and company value. *Bancassurance* will increase the value of banking companies when the bank's profitability or profitability increases. Thus, profitability can act as a mediating variable in the relationship between *bancassurance* and firm value.

Research Limitations

In conducting this research, there are still some limitations, such as the research method used cannot use primary data because it does not obtain the required information, because the bancassurance ratio is considered a bank secret.

Suggestion

Based on some of the limitations of the research above, several things can be suggested for better results in the future, including:

1) Suggestions for future research, to be able to try descriptive qualitative methods to examine more deeply bancassurance policies by conducting interviews with trusted sources. The author has tried to do this, however, due to time and place constraints, several banks were unwilling to share *bancassurance information* because they considered it to be an internal bank secret. so the authors hope, future research can obtain better results.
2) Suggestions for conventional commercial banks in APEC countries that are not yet optimal in carrying out *bancassurance* , so they can try *bancassurance* as an effort to increase *fee-based income,* profitability and efficiency in the future. Because based on test results from 16 countries from 21 APEC members obtained an increase in ROA and banking company value with *bancassurance* . the *bancassurance* data is available on eikon refenitive. each country that has carried out *bancassurance cooperation*
3) Suggestions for the government in the future, based on research results, bancasurance is able to demonstrate its ability to increase bank revenues. The government should better support this policy to increase the inclusion rate of the insurance sector. This will indirectly have an impact on national economic growth.

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