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THE INFLUENCE OF FINANCIAL PERFORMANCES TOWARD STOCK'S PRICE OF STATE-OWNED BANK LISTED ON THE INDONESIA STOCK EXCHANGE

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ABSTRACT

This research studies how the company's financial performance can affect stock prices. This study focuses on financial ratios in the banking industry and their relationship to stock price performance. The objects of this study are state-owned banks listed on the Indonesia Stock Exchange. The independent variables used are CAR, NIM, NPL, LDR, ROA, ROE, CIR and BOPO. Meanwhile, the dependent variable used is the stock price. The research period is 2015 to 2019. The analytical method used is multiple linear analyses. From the data processing, it was found that CAR, NIM, NPL, LDR, CIR and BOPO did not have a significant effect on stock prices. Meanwhile, ROA and ROE have a significant effect on stock prices.

INTRODUCTION

Banking over the years has become an important factor in the creation of an economic and financial system in a country. Banks have an important role to play as an intermediary institution, namely a financial institution that connects funds from parties with excess funds to those who are underfunded (Harahap & Hairunnisah, 2017). In addition, banks also function as institutions that receive and distribute monetary policies made by the Central Bank. In this case, the Central Bank has an important role as an institution in charge of creating money and the process of circulation of money in the economy of a country occurs through banking. Therefore, the bank must be able to maintain the level of financial soundness in order to become a good liaison institution.

The main task of banking is to collect funds from the public, and channel them back to the community in the form of loans. Reflecting on this, one of the important elements that must be maintained is health and financial performance. The financial performance and health of the bank are the main factors seen by investors when investing in companies in the banking sector. Banking sector companies that have good performance and financial health are expected to have high profits for the company, so that they will also provide high returns for shareholders. In addition, good performance and financial health will also provide a good reputation for the company, thus providing good prospects for shareholders in the future.

The overall performance of the bank is an illustration of the success of the bank in managing all aspects ranging from operational, financial, marketing, human resources, fund management and technology (Syahputra & Saragih, 2018). In assessing the performance and health of a bank, investors can use various methods, one of which is by analyzing the company's financial statements. Bank Indonesia, as the central bank in Indonesia, uses the CAMEL method in assessing the health and financial performance of banks. This policy is based on PBI No. 10/10/2004. CAMEL stands for Capital, Asset Quality, Management, Earning and Liquidity. CAMEL is also used in determining bank ratings and in predicting a company's future prospects. By using the CAMEL method, investors can assess the performance and financial health of banks by analyzing financial ratios such as CAR, NPL, CIR, NIM, BOPO and others.

The share price of a company describes the condition of the related company. Apart from that, the stock price also illustrates how the public values the company. Thus, it is important for companies to always maintain company performance so that the company's stock price also has good performance. Companies must always maintain a good image, especially state-owned companies (BUMN). Regardless of the company's identity as a company owned by the state, state-owned banks are still not much different from private-owned banks that have been listed on other stock exchanges. They both have the same rights and obligations as public companies listed on the Indonesia Stock Exchange. However, companies that are majority owned by the government, of course, have special characteristics.

The shares of state-owned banks listed on the IDX have experienced considerable fluctuation in the past five years. From the data processed by the author, the authors found that the average share price of state-owned banks dropped significantly.

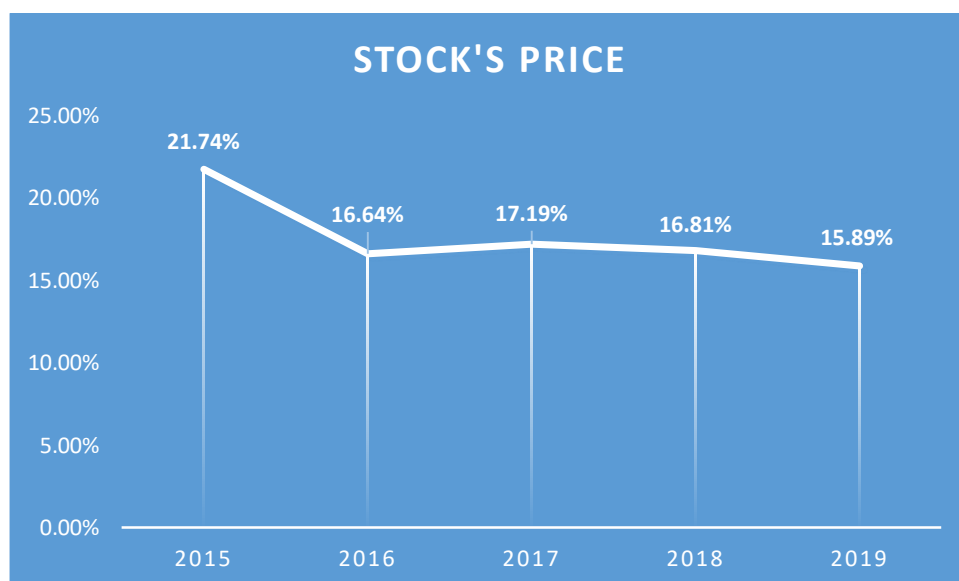


Figure 1 Stock's Price Average from 2015-2019

In the graph above, it can be seen that the total average share price of state-owned banks has decreased drastically from 21.74% to 15.89%. This decline has also occurred consistently almost every year, except in 2017 when there was an increase from 16.64% in 2016, up to 17.19% in 2017. However, after that it continued to decline to 15.89% in 2019. This will certainly be of concern to investors, because the decline in stock prices means a decrease in the value of the wealth of investors.

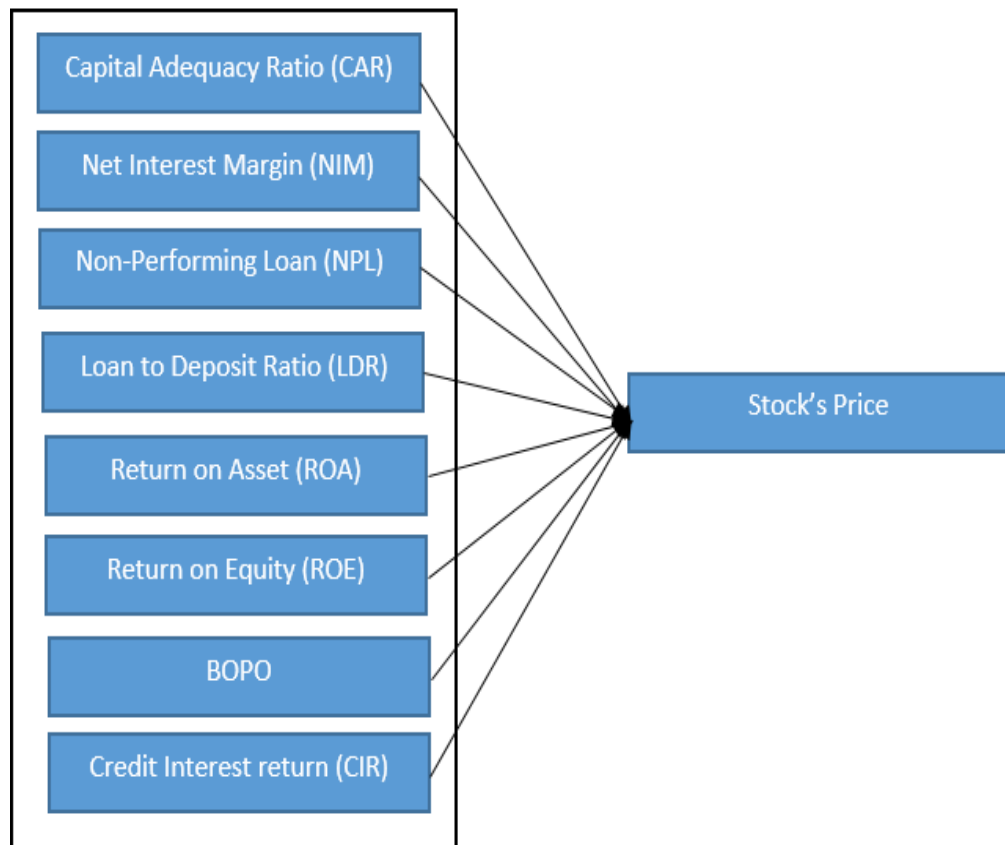
The financial performance of a bank can affect its share price because information from the financial statements affects the decisions of investors (Nilayanti & Suryana, 2019). When banks can improve their financial performance, investors will be more interested in investing and vice versa.

LITERATURE REVIEW AND RESEARCH FRAMEWORK

Research on the effect of company financial performance on stock prices has been done before. However, the results of these studies vary from study to study. Various studies have been conducted to find answers to the effect of financial performance on stock prices. Rusdiyanto et al. (2018) conducted research using Capital Adequacy Ratio (CAR), Net Profit Margin (NPM), Return on Assets (ROA), Non-Performing Loans (NPL), and Loan to Deposit Ratio (LDR) as independent variables and Stock Prices. in banking companies listed on the Indonesia Stock Exchange. The findings of this study are CAR, NPM, ROA and NPL have a significant effect on stock prices. Nureny (2019) conducted research using Capital Adequacy Ratio (CAR), Net Interest Margin (NIM), Non-Performing Loans (NPL), Loan to Deposit Ratio (LDR), Return on Assets (ROA) and Operating Costs Operating Income (BOPO)) as the independent variable and share price as the dependent variable. The results showed that only CAR had a significant effect on stock prices. Then, Harahap and Hairunnisah (2017) combine financial performance and GCG in their research. The results show that NPL, GCG, NIM and CAR have a significant

effect on stock prices. Looking at the results of different studies, it is increasingly convincing researchers that until now, it is not certain what factors can affect stock prices.

Based on the background and previous research described previously, the research framework for this study is as follows.



From the research framework designed, the research hypothesis is:

- H1: The Capital Adequacy Ratio (CAR) affects the share price of state-owned banks listed on the Indonesia Stock Exchange
- H2: Net Interest Margin (NIM) affects the share price of state-owned banks listed on the Indonesia Stock Exchange
- H3: The Non-Performing Loan (NPL) affects the share price of state-owned banks listed on the Indonesia Stock Exchange
- H4: Loan to Deposit Ratio (LDR) against share prices in state-owned banks listed on the Indonesia Stock Exchange
- H5: Return on Asset (ROA) affects the stock price of state-owned banks listed on the Indonesia Stock Exchange
- H6: Return on Equity (ROE) affects the share price of state-owned banks listed on the Indonesia Stock Exchange
- H7: BOPO affects the share price of state-owned banks listed on the Indonesia Stock Exchange
- H8: Credit Interest Return (CIR) affects the share price of state-owned banks listed on the Indonesia Stock Exchange

H9: CAR, NIM, NPL, LDR, ROA, ROE, BOPO and CIR simultaneously influence the share price of state-owned banks listed on the Indonesia Stock Exchange

RESEARCH METHODOLOGY

This research uses a descriptive method. Sugiyono (2011) says that the descriptive method is a method for describing a phenomenon or an event that has occurred with a scientific method to answer a problem. This study uses state-owned banks listed on the Indonesia Stock Exchange, namely, Bank Mandiri, Bank BNI, Bank BRI and Bank BTN. The research period is five years from 2015 to 2019. The independent variables used in this study are Capital Adequacy Ratio (CAR), Net Interest Margin (NIM), Non-Performing Loan (NPL), Loan to Deposit Ratio (LDR), Return on Asset (ROA), Return on Equity (ROE), Operating Profit Operational Costs (BOPO) and Credit Interest Return (CIR). The dependent variable used is the growth in stock prices. The analytical method used to analyze the data is the Least Square Panel (Data Panel). The research data was taken from various sources, from company annual reports and company websites. The sample selection was done by using purposive sampling method. Currently, only four state-owned banks are listed on the Indonesian stock exchange. For the variables used, this is also based on previous research where the independent variables used represent financial ratios that describe the performance and financial health of the company. The bank health indicator is represented by the CAR, NPL and LDR variables. Meanwhile, the bank's financial performance indicators are represented by NIM, ROA, ROE, BOPO and CIR.

RESULTS AND DISCUSSION

This study uses the Least Square Panel method in analyzing the data held. The reason is because this research data consists of two types of data, namely time series data and cross section data. By using the Fixed Effect Model, the following analysis results are found.

Dependent Variable: STOCK				
Method: Panel Least Squares				
Date: 12/29/20 Time: 09:09				
Sample: 2015 2019				
Periods included: 5				
Cross-sections included: 4				
Total panel (balanced) observations: 20				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-71.09880	32.73842	-2.171723	0.0526
BOPO	0.898723	0.434810	2.066934	0.0631
CAR	-0.247851	0.310040	-0.799416	0.4410
CIR	0.353760	0.231378	1.528924	0.1545
LDR	-0.172034	0.091527	-1.879598	0.0869
NIM	-2.825460	1.585756	-1.781774	0.1024
NPL	1.880484	1.673033	1.123997	0.2849
ROA	12.58509	4.092722	3.074992	0.0106

ROE	0.455342	0.103221	4.411308	0.0010
R-squared	0.953038	Mean dependent var.		17.65400
Adjusted R-squared	0.918884	S.D. dependent var.		4.207184
S.E. of regression	1.198241	Akaike info criterion		3.501750
Sum squared resid.	15.79360	Schwarz criterion		3.949829
Log likelihood	-26.01750	Hannan-Quinn criter.		3.589220
F-statistic	27.90412	Durbin-Watson stat		2.840556
Prob(F-statistic)	0.000003			

Hypothesis testing is used to determine whether the effect of X to Y is significant.

The effect of BOPO to stock's price

From the results of data analysis, it was found that the P-value of BOPO was 0.0631 which means it was higher than the α value (5%). So it can be concluded that OEOI has no significant effect on stock prices.

The effect of car to stock's price

From the results of data analysis, it was found that the P-value of CAR was 0.4410, which means it was higher than the α value (5%). So it can be concluded that CAR does not have a significant effect on stock prices.

The effect of cir to stock's price

From the analysis, it was found that the P-value of the CIR was 0.1545, which means it was higher than the α value (5%). So it can be concluded that CIR does not have a significant effect on stock prices.

The effect of ldr to stock's price

From the analysis, it was found that the P-value of the LDR was 0.0869 which means it was higher than the α value (5%). So it can be concluded that the LDR has no significant effect on stock prices.

The effect of nim to stock's price

From the analysis, it was found that the P-value of NIM was 0.1024, which means it was higher than the α value (5%). So it can be concluded that NIM does not have a significant effect on stock prices.

The effect of npl to stock's price

From the analysis, it was found that the P-Value of the NPL was 0.2849, which means it was higher than the α value (5%). So it can be concluded that the NPL does not have a significant effect on stock prices.

The effect of roa to stock's price

From the analysis, it was found that the P-value of ROA was 0.0106, which means it was lower than the α value (5%). So it can be concluded that ROA has a significant effect on stock prices.

The effect of roe to stock's price

From the analysis, it was found that the P-value of ROE is 0.0010 which means it is lower than the α value (5%). So it can be concluded that ROE has a significant effect on stock prices.

The effect of BOPO, CAR, CIR, LDR, NIM, NPL, ROA, and roe to stock's price

From the analysis, it is found that Prob. (F-Statistic) is 0.000003 which means it is lower than the α value (5%). So it can be concluded that all independent variables simultaneously have a significant effect on stock prices.

CONCLUSION

Based on the results of data processing carried out using the Least Square Panel method, it is found that BOPO, CAR, CIR, NPL, NIM and LDR do not have a significant effect on stock prices. Then, from the results of data processing it was also found that ROA and ROE each had a significant effect on stock prices. However, all variables simultaneously have a significant effect on stock prices. The findings of this study differ from previous studies. This of course can be understood because there are many factors that can affect stock prices. In this case it is found that ROA and ROE have a significant effect on stock prices. This finding is supported by the results of previous research where the profitability of a company can affect stock prices.

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