

# THE EFFECT OF FINANCIAL PERFORMANCE ON STOCK PRICE AT LISTED BANK IN INDONESIA STOCK EXCHANGE (IDX) 2017-2021

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**Abstract:** This study aims to determine the effect of financial performance on stock prices in the banking sector listed on the Indonesia Stock Exchange. In this study using CAMEL analysis consisting of Capital, Assets, Management, Equity, and Liability, but research on management was not carried out due to the difficulty in obtaining information about management's assessment. This ratio can be used as a measuring tool to assess the soundness of banking institutions. The healthier a bank, the better for investors to invest in the capital market. The population in this study are all banks listed on the IDX during the 2017-2021 period.

The sample selection technique in this research is purposive sampling method with the criteria being a bank that has been listed on the Indonesia Stock Exchange (IDX) and has a core capital of IDR 30,000,000,000,000 (30 Trillion Rupiah) in 2021. In this study, CAMEL analysis was calculated. using the ratio of CAR, NPL, ROA, and LDR. Data analysis in this study used multiple regression analysis techniques.

The results of this study indicate that the ratio of CAR, NPL, ROA, and LDR have a simultaneous effect on stock prices. Partially, the results of this study indicate that all variables, namely CAR, NPL, ROA, and LDR have a partial effect on stock prices.

**Keywords:** Stock Price, CAR, NPL, ROA, LDR, Banking, Indonesia Stock Exchange (IDX).

## Introduction

According to Article 1 paragraph (2) of Law no. 10 of 1998 concerning amendments to Law no. 7 of 1992 concerning banking is a business entity that collects funds from the public in the form of savings and distributes them to the public in the form of credit and or other forms in order to improve the standard of living of the people. The existence of the banking sector makes an important contribution to the a country's finances. Because banking plays a role in stability economy. According to the Financial Services Authority (OJK) (2019), there are around 136 banks registered in Indonesia which consists of Persero Commercial Banks, Regional Development Banks, National Private Commercial Banks, Foreign Owned Banks, and Owned Banks Mixture. Of the 136 banks, there are 46 banks listed on the Indonesia Stock Exchange (IDX). Technological developments and other external factors such as the COVID-19 pandemic have fostered competition between companies that has forced every company to survive bankruptcy. So the solution that can be done is to maintain the soundness of the bank, such as fulfilling the company's capital properly through the capital market.

Through financial reports issued by banks, investors can assess the company's financial performance through financial ratio analysis. There are many factors that can affect stock prices, one of which is the fundamental factor. According to Jogiyanto (2014) fundamental analysis is one way of conducting stock valuations by studying or observing various indicators related to macroeconomic conditions and industrial conditions of a company including various financial indicators and company management. According to Financial Accounting Standards (SAK) of 2004 No. 1, the purpose of financial statements is to provide information about the financial position, performance and cash flows of companies that are useful for the majority of users of financial statements in order to make economic decisions. This analysis is needed in predicting how the company's stock value will move in the future. Success in producing profit will give satisfaction for rational investors. Stock price high enough will give profits, namely in the form of capital gains and a better image for the company making it easier for management to get funds from outside company. A healthy bank is a bank which has good company performance good. Assessment of the soundness of banks is regulated in SE BI No. 6/23/DPNP/2004 which consists of capital factors, asset quality, management, profitability, liquidity, and sensitivity to market risk which is carried out quantitatively and qualitatively after considering considerations based on the materiality and significance of the assessment factors and the influence of other factors such as the condition of the banking industry and the national economy. In banking there is a CAMEL method consisting of Capital, Asset, Management, Earning, and Liquidity which will be used as a reference in this study.

Although financial statement analysis may show good financial performance, it does not necessarily reflect good stock prices as well. Research conducted by Susilo (2017) states that CAR, LDR, ROA have no effect on stock prices, while NPL and EPS have a significant effect on banking stock prices, but research conducted by Vilia & Colline (2021) states that CAR and NPL do not affect stock prices, NPM has a significant positive effect on stock prices, and ROA and LDR have a significant negative effect on stock prices. In addition, research conducted by Fatma (2020) states that ROA, ROE, CAR, and NPL each partially positive effect significant to the Stock Price, while LDR positive but not significant effect on Stock Prices, and Nugraheni (2014), state that partially CAR, RORA, NPM, and LDR have a positive effect on stock prices, while ROA and BOPO have no effect on stock prices. The differences in the results of each study and the COVID-19 conditions that affect the finances of banking companies make this research continue to be carried out to assess whether the selected ratios are still effective for assessing stock prices or not.

## Method

This research uses a quantitative descriptive method that aims to explain the phenomenon by using numbers that describe the characteristics under study. The data source used is secondary data obtained from the official website of the Indonesia Stock Exchange in the form of the company's annual financial statements, while the population in this study uses banking sector companies listed on the Indonesia Stock Exchange in 2017-2021 with the sample determined using the purposive sampling method with the criteria of having core capital of Rp. 30,000,000,000.00 (30 Trillion Rupiah) in 2021.

The variables of this study consist of the dependent variable, namely the stock price at the end of each year during the study period, and the independent variable, namely the financial ratios as previously described. Data collection in this study uses the secondary data documentation method, namely in the form of financial statements of the banking sector, as well as closing prices of shares in the banking sector during the study period. The collection technique used is documentation.

The data analysis technique used in this study is to use multiple regression analysis to calculate the magnitude of the influence of the independent variables on dependent variable in the regression model (Sugiono, 2016). In this process, it begins with a classic assumption test consisting of: Normality, Multicollinearity, Heteroscedasticity and Autocorrelation test and hypothesis testing using t test, F test, and coefficient of determination test.

## Result and Discussion

This research aims to determine the effect of financial performance on the price of banking shares listed on the Indonesia Stock Exchange during the 2019-2021 period. Of the 46 banking sector companies that have been listed on the Indonesia Stock Exchange as of 2021, a sample has been selected using the purposive sampling method based on predetermined criteria. The variables in this study consisted of 4 independent variables consisting of CAR, NPL, ROA, and LDR. Descriptive statistics provide an overview or description of the distribution of data seen from the minimum, maximum, mean, and standard deviation values as shown in the following table:

**Table 1**  
**Descriptive Statistics Results**

	<b>N</b>	<b>Min</b>	<b>Mean</b>	<b>Max</b>	<b>Std. Deviation</b>
<i>CAR</i>	50	16,78%	35,77%	22,74%	3,94%
<i>NPL</i>	50	0,81%	4,35%	2,62%	0,86%
<i>ROA</i>	50	0,57%	3,97%	2,08%	0,87%
<i>LDR</i>	50	60,89%	163,06%	90,37%	16,65%
Stock Price	50	620,0	9900,0	3740,9	2746,4

Source: Secondary Data processed 2022

Table 1 above describes that the amount of data on each variable is 30 data. The independent variable consisting of, CAR has a value ranging from 16.78%-35.77% with a mean value of 22.74% and a standard deviation of 3.94%, then NPL ranges from 0.81%-4.35% with a the mean is 2.62% and the standard deviation is 0.86%. Furthermore, the ROA variable ranges from 0.57%-3.97% with a mean value of 2.08% and a standard deviation of 0.87%, and the last LDR ranges from 60.89%-163.06% with a mean value of 90 .37% and a standard deviation of 16.65%, while the dependent variable in this study is stock prices ranging from 620-9900 with a mean value of 3740.9 and a standard deviation of 2764.4.

1. Classic Assumption Test  
 a. Normality Test

The normality test serves to find out whether the model used is normal or not. If the regression model has a sig value above 0.05, it can be said to be normally distributed. The test stage was carried out using non-parametric statistics with the Kolmogorov-Smirnov One Sample test method (Ghozali, 2016). The following are the results of the normality test:

**Table 2**  
**Normality Test Results**  
**One-Sample Kolmogorov-Smirnov**

		<b>CAR (X1)</b>	<b>NPL (X2)</b>	<b>ROA (X3)</b>	<b>LDR (X4)</b>	<b>Stock Price (Y)</b>
	N	50	50	50	50	50
<i>Normal Parameters</i> <sup>a,b</sup>	<i>Mean</i>	0,23	0,03	0,02	0,90	3740.90
	<i>Std. Deviation</i>	0,04	0,01	0,01	0,17	2746.42
<i>Most Extreme Differences</i>	<i>Absolute</i>	0,096	0,138	0,055	0,191	0.169
	<i>Positive</i>	0,096	0,060	0,055	0,191	0.169
	<i>Negative</i>	-0,072	-0,138	-0,042	-0,092	-0.128
<i>Test Statistic</i>		0.096	0,138	0,055	0,191	0,169
<i>Asymp. Sig. (2-tailed)</i>		0,200 <sub>c,d</sub>	0,018 <sub>c</sub>	0,200 <sub>c,d</sub>	0,000 <sub>c</sub>	0,001 <sub>c</sub>

- a. Test distribution is Normal.
- b. Calculated from data.
- c. Lilliefors Significance Correction.
- d. This is a lower bound of the true significance.

Source: Secondary Data processed 2022

From the results of the Kolmogorov-Smirnov test above, the Asymp value is generated. Sig. (2-tailed) of each variable is 0.200, 0.018, 0.200, 0.000, and 0.001. Thus, the Kolmogorov-Smirnov test results from the above variables do not meet the data normality requirements, namely the NPL, LDR, and Stock Price variables. To normalize the data, it is necessary to do treatment, namely removing outlier data. Outlier data is data that has unique characteristics that look very different from other observations and appear in the form of extreme values (Ghozali, 2016). This outlier data should be removed from the observations. Detection of outliers can be done by determining the limit value that will be categorized as outlier data by converting the data value into a standardized score or what can be called a Z-score. For a large sample, the standard score is declared an outlier if the value is in the range of 3 to 4. Here are the details for removing outlier data:

**Table 3**  
**Outlier Data Detection Results**

<b>Perusahaan</b>	<b>Variabel</b>	<b>Nilai</b>	<b>Nilai Z</b>
PERMATA 2020	CAR	35.77%	3.309
PERMATA 2021	CAR	34.93%	3.097
BTPN 2019	LDR	163.06%	4.366

Source: Results of analysis using SPSS 25.0

Outlier data above as much as 3 data will be removed from the research sample in order to produce better normality so that it is feasible to use further analysis. By using outlier data, the number of samples will be reduced to 47 data. After deleting the new outlier data, the second normality test will be carried out with the Kolmogorov-Smirnov statistical test using the Z score. The results of the normality test using the Kolmogorov-Smirnov test can be seen in table 4 below:

**Table 4**  
**Normality Test Results**  
**One-Sample Kolmogorov-Smirnov**

		<b>CAR (X1)</b>	<b>NPL (X2)</b>	<b>ROA (X3)</b>	<b>LDR (X4)</b>	<b>Stock Price (Y)</b>
<i>N</i>		47	47	47	47	47
<i>Normal Parameters<sup>a,b</sup></i>	<i>Mean</i>	-0,19	-0,02	0,05	0,01	0,05
	<i>Std. Deviation</i>	0,72	0,74	0,80	0,62	0,75
	<i>Absolute</i>	0,066	0,124	0,079	0,122	0,123
<i>Most Extreme Differences</i>	<i>Positive</i>	0,060	0,124	0,058	0,071	0,123
	<i>Negative</i>	-0,066	-0,115	-0,079	-0,122	-0,082
<i>Test Statistic</i>		0,066	0,124	0,079	0,122	0,123
<i>Asymp. Sig. (2-tailed)</i>		0,200 <sub>c,d</sub>	0,068 <sub>c</sub>	0,200 <sub>c,d</sub>	0,077 <sub>c</sub>	,070 <sub>c</sub>

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Source: Secondary Data processed 2022

Based on table 4, the results of the second Kolmogorov-Smirnov normality test, obtained the results of the Sig value. of the five variables above are 0.200, 0.068, 0.200, 0.077, and 0.070 which are greater than the value of = 0.05. Thus the results of the Kolmogorov-Smirnov test of the five variables above have met the normality requirements with the value of Sig. > = 0.05. It can be concluded that the tested data has a normal data distribution.

b. Multicollinearity Test

According to Ghozali (2016), the multicollinearity test aims to test whether in the regression model there is a correlation between independent variables. Multicollinearity test aims to test whether the regression model has a correlation between independent variables. The following is a table of multicollinearity test results:

**Table 5**  
**Multicollinearity Test Results**

<b>Model</b>	<b>Collinearity Statistics</b>	
	<b>Tolerance</b>	<b>VIF</b>
<i>(Constant)</i>		
1 <i>CAR (X1)</i>	0,681	1,468
<i>NPL (X2)</i>	0,703	1,422
<i>ROA (X3)</i>	0,689	1,452
<i>LDR (X4)</i>	0,507	1,972

a. Dependent Variable: Price Stock (Y)

Source: Secondary Data processed 2022

Based on the results of the multicollinearity test in the table above, it shows that each variable has a Tolerance value > 0.10 and a Variance Inflation Factor (VIF) < 10, it can be concluded that there is no multicollinearity relationship between the independent variables.

c. Heteroskedasticity Test

The heteroscedasticity test aims to determine the existence of deviations from the classical assumption requirements in the regression model. The method used in this test is glejser. The results of this heteroscedasticity test are as follows:

**Table 6**  
**Heteroscedasticity Test Results**  
**Glejser Test Method**

	<b>Model</b>	<b>Sig.</b>
	<i>(Constant)</i>	
1	<i>CAR (X1)</i>	0,242
	<i>NPL (X2)</i>	0,574
	<i>ROA (X3)</i>	0,072
	<i>LDR (X4)</i>	0,637

a. *Dependent Variable: absresid*

b. Source: Secondary Data processed 2022

The regression model is said to not contain heteroscedasticity if the significance probability is more than 0.05. Based on the table above, it is known that the significance value of all variables is greater than 0.05 which means that the regression model does not contain heteroscedasticity.

d. Autocorrelation Test

The autocorrelation test aims to see whether in a linear regression model there is a correlation between the confounding error in period t and the error in period t-1. A good regression model is one that is free from autocorrelation. The method used in this test is Durbin Watson. The following is a table of the results of the autocorrelation test using the Durbin-Watson test method:

**Table 7**  
**Autocorrelation Test Results**  
**Durbin-Watson Test Method**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>	<b>Durbin-Watson</b>
1	0,922a	0,850	0,836	0,305	1,815

*Predictors: (Constant), CAR (X1), NPL (X2), ROA (X3), LDR (X4)*

*Dependent Variable: Stock Price (Y)*

Source: Secondary Data processed 2022

Based on the autocorrelation test using the Durbin Watson method in the table above, it is known that the DW value is 1.815 between -2 to +2 which means that there is no autocorrelation.

2. Hypothesis Test

a. Partial Test (t test)

In testing the effect of each independent variable on the dependent variable partially, it is done by testing the significance of the variable (t test). The level of significance in the statistical t test with the provision that the significant value is less than 0.05, indicates that there is a significant effect between the independent variable and the dependent variable. The following is a table of results from the t-test test:

**Table 8**  
**t Test Results**

	<b>Model</b>	<b>t</b>	<b>Sig.</b>
	<i>(Constant)</i>	1,603	0,116
1	<i>CAR (X1)</i>	2,952	0,005
	<i>NPL (X2)</i>	-3,675	0,001
	<i>ROA (X3)</i>	2,329	0,025
	<i>LDR (X4)</i>	6,329	0,000

a. *Dependent Variable: Stock Price (Y)*

Source: Secondary Data processed 2022

Based on the t statistical test table above, the results of the test are as follows:

1. Based on the table above, the effect of the CAR variable on stock prices shows a significance level value with a value of  $0.005 < 0.05$  indicating that CAR has a partial effect on stock prices.
2. Based on the table above, the effect of the NPL variable on stock prices shows a significance level value with a value of  $0.001 < 0.05$  indicating that NPL has a partial effect on stock prices.
3. Based on the table above, the effect of ROA on stock prices shows a significance level value with a value of  $0.025 < 0.05$  indicating that ROA has a partial effect on stock prices.
4. Based on the table above, the effect of the LDR variable on stock prices shows a significance level value with a value of  $0.000 < 0.05$ , indicating that LDR has a partial effect on stock prices.

b. Simultaneous Test (f test)

This test is to test the effect of the independent variables together on the dependent variable simultaneously by using the F test with a probability value of 5%. If the results of the analysis show a significant value  $< 0.05$ , the regression equation model is significant at the 5% alpha level. The following is a table of test results on the F test:

**Table 9**  
**F Test Results**

	<b>Model</b>	<b>df</b>	<b>F</b>	<b>Sig.</b>
1	<i>Regression</i>	4	59,645	0,000b
	<i>Residual</i>	42		
	<i>Total</i>	46		

a. *Dependent Variable:* Stock Price (Y)

b. *Predictors:* (Constant), CAR (X1), NPL (X2), ROA (X3), LDR (X4)

Source: Secondary Data processed 2022

Based on table 4.10 above, it is known that the calculated F value = 59.645, and the value of Sig. =  $0.000 < 0.05$ , while the value of F table with df (4,42) = 2.59. Thus it can be said that all independent variables in this study jointly have a significant effect on the Stock Price variable (Y).

c. Coefficient of Determination Test

The coefficient of determination shows the extent to which the contribution of the independent variable is able to explain the dependent variable. The coefficient of determination can be seen from the value of R Square (R<sup>2</sup>) in the following model summary table:

**Table 10**  
**Coefficient of Determination Test Results (R<sup>2</sup>)**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>	<b>Durbin-Watson</b>
1	0,922a	0,850	0,836	0,305	1,815

*Predictors:* (Constant), CAR (X1), NPL (X2), ROA (X3), LDR (X4)

*Dependent Variable:* Stock Price (Y)

Source: Secondary Data processed 2022

Based on table 10 above, it is known that the Adjusted R Square value is 0.836. This shows that 83.60% of the stock price (Y) is influenced by the variables CAR (X1), NPL (X2), ROA (X4), and LDR (X5) in the Banking Sector Companies, totaling 10 companies listed on the Indonesia Stock Exchange (IDX) during the period 2017-2021. This also indirectly shows that there is still a ratio of calculations to other financial performance, which can explain the effect on stock prices in this banking sector.

## Conclusion

Based on the results of the study entitled "The Effect of Financial Performance on Banking Stock Prices on the Indonesia Stock Exchange (IDX) 2017-2021" it can be seen that financial performance can assess the price of a banking stock. In carrying out investment activities, investors must of course carry out an analysis in order to minimize the possibility of losses. One of the analytical activities in stock trading is financial performance analysis using existing financial ratios. The acceptance of all hypotheses made, which states that CAR, NPL, ROA, and LDR affect banking stock prices on the Indonesia Stock Exchange (IDX) indicates that financial performance can affect

stock prices in the banking sector, especially using these ratios. In addition, the ratio analysis used in this study also has a simultaneous effect on stock prices in the banking sector.

In addition to the use of ratios to assess the financial performance of a banking company, there are also other factors that must be considered in assessing or predicting the price of a stock, both from within and outside the company, as previously explained. As at the time of this research, the occurrence of the COVID-19 outbreak that hit Indonesia and the world, could be one example of external factors that affect the company's stock price,

The more knowledge about the factors that affect stock prices, both internally and externally, the better the company will be in producing an analysis of stock prices in the future, so that it can produce a higher level of profitability for stock investors.

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