

ANALYSIS OF FACTORS AFFECTING STOCK PRICES THROUGH CAPITAL ADEQUACY LEVEL IN CONVENTIONAL COMMERCIAL BANKS LISTED ON INDONESIA STOCK EXCHANGE IN 2015-2017

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Abstract: This study aims to examine whether there is an effect of loan to deposit ratio (LDR), non-performing loans (NPL), return on assets (ROA), net interest margin (NIM), operational expenses on operating income (BOPO) and good corporate governance (GCG) both directly and indirectly through the Capital Adequacy Level (CAR) of the Share Price. This study aims to examine whether there is an effect of loan to deposit ratio (LDR), non-performing loans (NPL), return on assets (ROA), net interest margin (NIM), operational expenses on operating income (BOPO) and good corporate governance (GCG) both directly and indirectly through the Capital Adequacy Level (CAR) of the Share Price. Data is processed using Path Analysis. The results of this study indicate that Non-Performing Loans (NPL), Return On Assets (ROA), Net Interest Margin (NIM) have a direct positive effect on stock prices. While the Loan to Deposit Ratio (LDR), Operating Expenses on Operating Income (BOPO), Good Corporate Governance (GCG) have a significant negative direct effect on Stock Prices. Hypothesis testing for indirect effect shows the results that the Loan to Deposit Ratio (LDR), Non-Performing Loans (NPL), Return On Assets (ROA), Net Interest Margin (NIM), Operational Expenses on Operating Income (BOPO), and Good Corporate Governance (GCG) has a significant effect on Stock Prices through the Capital Adequacy Level (CAR).

Keywords: LDR, NPL, ROA, NIM, BOPO, GCG, Capital Adequacy Level, Stock Price.

1. INTRODUCTION

The size of the capital is very influential on the ability of banks to carry out their operations. Strengthening the capital aspect is aimed at increasing the ability of banks to absorb risk in the event of a crisis. So that it is expected to create a healthy banking system that is able to develop and compete nationally and internationally. Banking business activities cannot be separated from investors or capital providers, investors are needed to provide an injection of funds for the company that is useful for the company's operational activities. The main purpose of investors' trading activities in the capital market is to make a profit. Investors invest their funds in the capital market not only for short-term investments but also for long-term income. As for some things that are needed by investors in order to reduce risk when investing in shares, including accurate, actual, and transparent information regarding companies that can be seen through the company's financial statements.

Table 1.
Financial Performance of Conventional Commercial Banks in 2015-2017

	2015	2016	2017
Stock Price	1.846,30	1.862,43	2.249,35
CAR	18.46	20.83	21.89
LDR	85.20	83.81	82.46
NPL	2.57	3.21	3.09
ROA	1.10	0.76	0.95
NIM	5.05	5.17	4.95
BOPO	87.93	96.47	91.49
GCG	1.89	1.97	1.95

Data source: processed by the researcher, 2019

From table 1, the increase in the capital ratio (CAR) was followed by an increase in the conventional banking stock price over the past 3 (three) years. But ROA which is considered as the most influential variable on stock prices actually shows a trend that is not in line with the increase in stock prices. This can be seen from table 1. showing that the increase in banking stock prices is actually inversely proportional to ROA, which for the last 3 (three) years the banking ROA shows a declining trend. Based on this, a study entitled “Analysis of Factors Affecting Stock Prices through the Capital Adequacy Level in Conventional Commercial Bank companies listed on the Indonesia Stock Exchange in 2015-2017”.

2. LITERATURE REVIEW

2.1 Agency Theory

Agency Theory is a theory that explains the relationship between management (agent) and shareholders (principal). Both parties have the rights and obligations and responsibilities of each. The shareholders (principal) provide funds and facilities for the company’s operations, while the management who acts as an agent carries out what is assigned by the shareholders to him. For this purpose both benefit, shareholders will get the results in the form of profit sharing while the management will get bonuses, salaries or other forms of incentives. This theory is used to explain the effect of LDR, NPL, ROA, NIM, BOPO, GCG variables on the Capital Adequacy Level variable. If the financial performance of banks proxy through the six ratios shows good results, the Bank’s Capital Adequacy Level will increase.

2.2 Signalling Theory

Signalling theory emphasizes the importance of information released by companies on investment decisions of parties outside the company. Information is an important element for investors and business people because the information essentially presents information, notes or pictures both for the past, present and future conditions for the survival of a company and how it markets its effects. Complete, relevant, accurate and timely information is needed by investors in the capital market as an analytical tool for making investment decisions. This theory is used to explain the effect of LDR, NPL, ROA, NIM, BOPO, GCG variables on the

Stock Price variable. If the financial performance proxied by using the six ratios shows good results, it will attract investors to invest their funds, this will certainly have an impact on increasing stock prices.

2.3 Capital Adequacy Level (CAR)

CAR (Capital Adequacy Ratio) is a ratio or benchmark to assess the level of capital adequacy of a bank oriented to international standards (Carindri, Filona and Putri, 2013). Or in other words, CAR is a ratio that shows how far all bank assets that contain credit risk, investments, securities, bills at other banks) are also funded from the bank's own capital funds in addition to obtaining funds from sources outside the bank, such as public funds and loans (debt).

2.4 Stock Prices

Stock prices are prices that occur on the stock exchange market at certain times determined by market participants. The value of stocks is determined by the demand and the offer of the relevant shares in the stock market. Stock prices always change every day, even every second stock prices can change. The stock price is the result of the division between capital and the number of shares which is called the nominal price, when the issuer issues shares. The stock price of a company reflects the firm value in the eyes of investors, if the stock price of a company is high, then the firm value in the eyes of investors is also good and vice versa, therefore stock prices are important for the company.

2.5 Loan to Deposit Ratio (LDR)

The ratio used to measure a bank is liquid or not using the LDR (Loan to Deposit Ratio) ratio. This ratio is used to determine the ability of banks to repay obligations to customers who have invested their funds with loans that have been given to creditors (Firmansyah, 2013). This ratio aims to compare the amount of credit extended with the amount of deposit held. Liquidity is defined as the ability of banks to meet all their debt obligations, be able to repay all their depositors and be able to meet credit requests submitted without delay (Abusharba, Triyuwono, Ismail and Rahman, 2013). According to PBI No. 15/7 / PBI / 2013 Article 10, The lower limit of the Target LDR is 78% (seventy eight percent). Upper limit of Target LDR; 1) in the amount of 100% (one hundred percent) up to December 1, 2013; and 2) 92% (ninety-two percent) since December 2, 2013.

2.6 Non-Performing Loans (NPL)

Non-Performing Loans (NPLs) are ratios to measure the risk of disbursed loans by comparing bad loans with the amount of loans disbursed. Sudirman (2013: 112) explains Credit Risk is the risk of the inability of the borrower or debtor to fulfill their obligations in the form of installments or repayment of loans to banks in accordance with existing agreements so that funds planned to be entered by banks from improper debtors. Another definition about credit risk was stated by Idroes & Sugiarto (2006: 79) credit risk is defined as the risk of loss in relation to the borrower unable / unwilling to fulfill the obligation to repay the borrowed funds in full at maturity or after. Meanwhile, according to Bank Indonesia Circular Letter

No.13 / 24 / DPNP 25 October 2011 credit risk is the risk due to the failure of the debtor and / or other parties in fulfilling their obligations to the bank.

2.7 Return On Asset (ROA)

Return On Assets (ROA) is a ratio used to assess a company's ability to generate profits by optimizing its assets. This ratio is used to measure the level of business efficiency and profitability achieved by the bank concerned. Profitability is the company's ability to get profits through all capabilities, and existing sources such as sales, cash, number of employees, number of branches, and so on (Harahap, 2013: 304)

2.8 Net Interest Margin (NIM)

Net Interest Margin (NIM) is the ratio between net interest income and the average earning assets used to measure the ability of bank management to manage their productive assets. A bank's NIM is said to be healthy if it has a NIM above 2% (Krisna, 2008).

2.9 Operating Expenses against Operating Income (BOPO)

The BOPO ratio shows the efficiency of banks in carrying out their main business, especially loans, based on the amount of funds collected. Or in other words, this ratio is used to measure the efficiency of a bank in managing funds owned to generate revenue. The efficiency aspect evaluation is intended to measure the ability of banks to utilize their funds and the costs incurred to operate these funds.

2.10 Good Corporate Governance (GCG)

According to the Coordinating Minister for Economic Affairs in the General Guidelines for Good Corporate Governance in Indonesia issued by the National Committee on Governance Policy (KNKG), Good Corporate Governance is a pillar of the market economy system that is closely related to trust both in the companies that implement it and in the business climate in a country. Bank Indonesia Circular Letter No. 15/15 / DPNP dated 29 April 2013 regarding the implementation of Good Corporate Governance issued on the assessment of the soundness of Commercial Banks based on risk (Risk Based Bank Rating) the establishment of GCG as one of the factors rating the soundness of banks.

2.11 Conceptual Framework

This research variable consists of two dependent variables in the form of Capital Adequacy Ratio which is proxied by CAR (Capital Adequacy Ratio) and Stock Price, as well as six independent variables namely Loan to Deposit Ratio (LDR), Non-Performing Loans (NPL), Return On Assets (ROA), Net Interest Margin (NIM), Operating Expenses against Operating Income (BOPO) and Good Corporate Governance (GCG). Based on the introduction, research objectives, theoretical basis and previous research that have been stated previously, then as a basis for formulating the following hypotheses, the mindset presented in Figure 1 is presented. The research framework shows the effect of partially independent

variables on Stock Prices through the Capital Adequacy Level in Conventional Commercial Bank companies listed on the Indonesia Stock Exchange in 2015-2017.

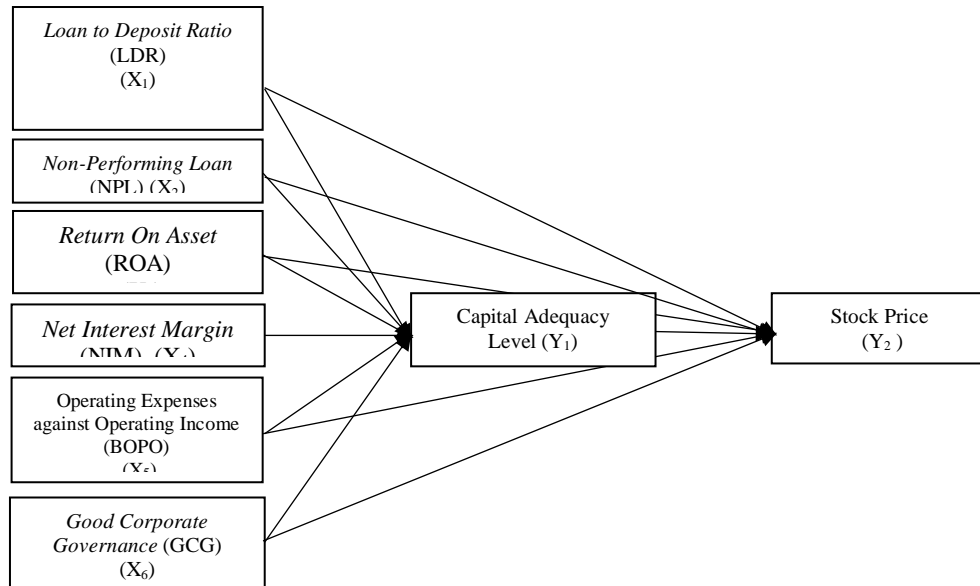


Figure 1. Conceptual Framework

Hypothesis

- H1A: Loan to Deposit Ratio (LDR) has a negative effect on Stock Prices.
- H1B: Loan to Deposit Ratio (LDR)) has a negative effect on Capital Adequacy Level.
- H1C: Loan to Deposit Ratio (LDR) affects the Stock Price through Capital Adequacy Level
- H2A: Non Performing Loans (NPL) have a negative effect on stock prices
- H2B: Non Performing Loans (NPL)) has a negative effect on Capital Adequacy Level
- H2C: Non Performing Loans (NPL) affect the Stock Price through Capital Adequacy Level
- H3A: Return On Assets (ROA) has a positive effect on stock prices
- H3B: Return on Assets (ROA) has a positive effect on Capital Adequacy Level
- H3C: Return On Assets (ROA) affects the Stock Price through Capital Adequacy Level
- H4A: Net Interest Margin (NIM) has a positive effect on stock prices
- H4B: Net Interest Margin (NIM) has a positive effect on Capital Adequacy Level
- H4C: Net Interest Margin (NIM) affects the Share Price through Capital Adequacy Level
- H5A: Operating Expenses on Operating Income (BOPO) has a positive effect on Share Price
- H5B: Operating Expenses on Operating Income (BOPO) has a positive effect on Capital Adequacy Level
- H5C: Operating Expenses on Operating Income (BOPO) affect Share Price through Capital Adequacy Level

- H6A: Good Corporate Governance (GCG) has a positive effect on stock prices
H6B: Good Corporate Governance (GCG) has a positive effect on Capital Adequacy Level
H6C: Good Corporate Governance (GCG) affects Stock Price through Capital Adequacy Level
H7: Capital Adequacy Level (CAR) has a positive effect on stock prices

3. METHOD

This type of research is quantitative research. The type of research used in this study is associative research - causal. Causal associative research aims to analyse the relationship between one variable with another variable or how an independent variable affects the dependent variable (Sugiyono, 2016) and identify / test the causal relationship between variables (Erlina, 2011).

The population in this study is Conventional Commercial Bank Companies listed on the Indonesia Stock Exchange in 2015-2017. The sampling technique used is purposive sampling. The sample of this research is 37 companies with an observation period of 3 years to obtain 111 sample companies. The Data Analysis Method used in this research is Path Analysis using the AMOS Version 22 application tool.

Descriptive statistics are used to provide a description or description of a data that is seen from mean, standard deviation, maximum and minimum (Ghozali, 2013).

The classic assumption test is the assumption underlying the regression analysis with the aim of measuring the association or attachment between independent variables. There are four tests related to the classical assumption test, namely the normality test data and the multicollinearity test. In the AMOS application if the normality test is not met, there is another alternative that can be used, the Bayes method. An alternative approach is the Bayesian statistical model which views that each quantity of unknown value is a random variable and the probability distribution is given. So Bayesian introduces a method in which we need to know the form of initial distribution (prior) of the population with the Bayes method. According to Bayes population parameters come from a distribution so that the value is not single (a random variable), whereas according to the classical method (maximum likelihood) population parameters are assumed to be constant (constant) even though the value is unknown (Ghozali, 2014: 327).

To test the hypothesis, it is carried out with a precision estimate test to find out how big is the relationship between the independent variable and the dependent variable. Testing the hypothesis in this study using the coefficient of determination test (R^2), Goodness Fit Of The Model Test and Partial Significant Test (T-Test).

4. RESEARCH RESULTS AND DISCUSSION

4.1 RESULTS

Descriptive statistical analysis is used to determine the description of a data that is seen from the maximum value, minimum value, average value (mean), and standard deviation values, from LDR, NPL, ROA, NIM, BOPO, GCG, capital adequacy level and yy .

Table 2. Descriptive Statistics based on LDR, NPL, ROA, NIM, BOPO, GCG Variables, Capital Adequacy Level and Stock Prices

Variable	Min	Max	Mean	Std. Deviation
LDR (X1)	42.02	112.54	83.822	13.197
NPL (X2)	0.00	15.82	2.956	2.123
ROA (X3)	-11.15	5.02	0.937	2.482
NIM (X4)	0.93	12	5.055	1.989
BOPO (X5)	25.2	235.2	91.964	26.198
GCG (X6)	1.00	4.00	1.937	0.544
Capital Adequacy Level (Y1)	8.02	66.43	20.394	6.767
Stock Price (Y2)	50	21900	1986.027	3428.699

Normality Test in research has been fulfilled by using SEM alternative with Bayes Method as an alternative to SEM Maximum Likelihood (parametric), which will give accurate results, when the assumption of normality is not met. The multicollinearity test in the study is presented in the following figure:

Correlations: (Group number 1 – Default model)

	Estimate
X5 \leftrightarrow X6	.386
X4 \leftrightarrow X6	-.145
X3 \leftrightarrow X6	-.026
X2 \leftrightarrow X6	.330
X1 \leftrightarrow X6	-.020
X4 \leftrightarrow X6	-.567
X3 \leftrightarrow X6	.239
X2 \leftrightarrow X6	.482
X1 \leftrightarrow X6	-.140
X3 \leftrightarrow X6	.204
X2 \leftrightarrow X6	-.207
X1 \leftrightarrow X6	.261
X2 \leftrightarrow X6	.163
X1 \leftrightarrow X6	.195
X1 \leftrightarrow X6	.099

Table 3. Multicollinearity Test with AMOS Version 22

Ghozali (2011) states that correlation values less than 0.9 indicate that there are no symptoms of multicollinearity.

To test the hypothesis of the coefficient of determination, it is known the value of the coefficient of determination (Adjusted R-squared) against the Capital Adequacy Level R^2 is 0.146 the rest is affected by other variables, while for the Stock Price R^2 is 0.506 the rest is affected by other variables. Goodness fit of model testing can be seen in the following table:

Table 4. Overall Model Goodness of Fit Test

Goodness of Fit	Value	Benchmark value of goodness of fit	Goodness of Fit of the Data
RMSEA	0,277	< 0.1	No
NFI	1,000	> 0.8	Yes
IFI	1,000	> 0.8	Yes
CFI	1,000	> 0.8	Yes
MECVI	0,873	> 0.8	Yes

Siswoyo (2017) states that of the many goodness of fit testing criteria, in the practice of empirical research, a researcher is not required to fulfill all the goodness of fit criteria. According to Hair et al. (2010) in Latan (2012) the use of 4-5 goodness of fit criteria is considered sufficient to assess the feasibility of the model. Based on Table 4, the results are obtained that the SEM model as a whole has good ability in terms of matching sample data (good fit).

Testing the Direct Effect

For testing the Hypothesis t Test (direct effect) the following equation is obtained:

$$Y_1 = 5,594 - 0,216(LDR) - 0,086(NPL) + 0,134(ROA) + 0,402(NIM) - 0,022(BOPO) + 0,118(GCG) + \varepsilon$$

$$Y_2 = 123,221 - 3,286(LDR) + 8,187(NPL) + 20,788(ROA) + 13,226(NIM) - 10,460(BOPO) - 21,627(GCG) + 0,371(CAR) + \varepsilon$$

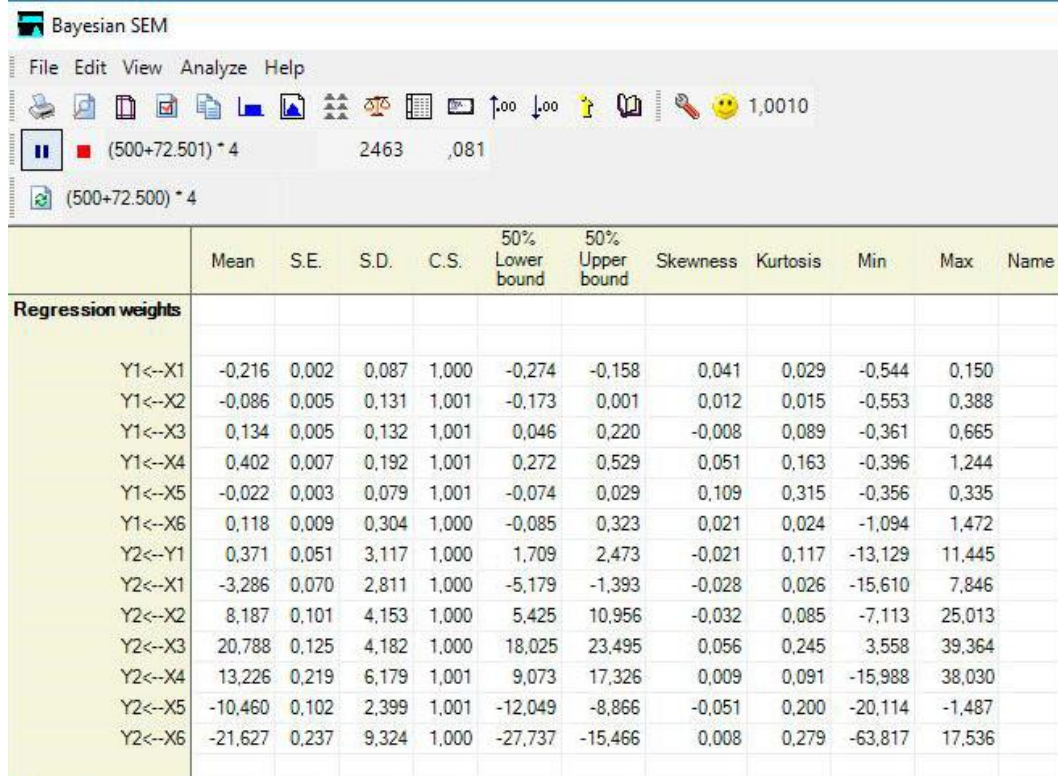


Figure 2. AMOS Results with Bayes (Nonparametric) Method

The value of the path coefficient (Mean) of the LDR to the level of capital adequacy is -0.216. Note that because it does not contain the number 0 in the credible interval, the LDR has a negative and significant effect on the level of capital adequacy. While the path coefficient value to Stock Price is -3.286, because it does not contain the number 0 in the credible interval, LDR has a negative and significant effect on stock price.

The value of the path coefficient (Mean) of the NPL to the level of capital adequacy is -0,086. Note that because it includes the number 0 in the credible interval, the NPL has a negative but not significant effect on capital adequacy levels. While the path coefficient value to Stock Price is 8,187, because it does not contain the number 0 in the credible interval, the NPL has a positive and significant effect on stock price.

The value of the path coefficient (Mean) of ROA to the level of capital adequacy is 0.134. Note that because it does not contain the number 0 in the credible interval, ROA has a positive and significant effect on the level of capital adequacy. While the path coefficient value to Stock Price is 20.788, because it does not contain the number 0 in the credible interval, ROA has a positive and significant effect on stock prices.

The value of the path coefficient (Mean) of the NIM to the level of capital adequacy is 0.402. Note that because it does not contain the number 0 in the credible interval, the NIM has a positive and significant effect on the level of capital adequacy. While the path coefficient value to Stock Price is 13,226, because it does not contain the number 0 in the credible interval, the NIM has a positive and significant effect on stock prices.

The path coefficient (Mean) value of BOPO to the level of capital adequacy is -0,022. Note that because it does not contain the number 0 in the credible interval, BOPO has a negative but not significant effect on the level of capital adequacy. While the path coefficient value to Stock Price is -10,460, because it does not contain the number 0 in the credible interval, the BOPO has a negative and significant effect on stock price.

The value of the path coefficient (Mean) of GCG to the level of capital adequacy is 0.118. Note that because it does not contain the number 0 in the credible interval, GCG has a positive but not significant effect on the level of capital adequacy. While the path coefficient value to Stock Price is -21,627, because it does not contain the number 0 in credible intervals, then GCG has a negative and significant effect on stock prices.

The path coefficient (Mean) of the Capital Adequacy Level to the Share Price is 0.371. Note that because it does not contain the number 0 in the credible interval, the NIM has a positive and significant effect on stock prices.

Testing the Indirect Effects

The indirect effect test results show that the LDR, NPL, ROA, NIM, BOPO and GCG variables significantly affect the Stock Price through the Capital Adequacy Level. This result shows that the value of $Z_{Sobel} > Z_{Table} (\pm 1.96)$, details can be seen in the following table:

Table 5. Testing for Indirect Effects

Effect	Coefficient	Std. Error	Z Sobel	Z Tabel
X1 -> Y1	-0.216	0.002	-7.258	±1.96
X2 -> Y1	-0.086	0.005	-6.700	±1.96
X3 -> Y1	0.134	0.005	7.020	±1.96
X4 -> Y1	0.402	0.007	7.217	±1.96
X5 -> Y1	-0.022	0.003	-5.165	±1.96
X6 -> Y1	0.118	0.009	6.361	±1.96
Y1 -> Y2	0.371	0.051		

4.2 DISCUSSION

Direct Effect of LDR, NPL, ROA, NIM, BOPO and GCG on Capital Adequacy Level

The test results the indirect effect shows that the LDR has a significant negative effect on the level of capital adequacy (CAR). The results of this study receive logic which states that the higher the LDR, the lower the level of capital adequacy. These results support the agency theory which states that the problem of banking liquidity as measured by Loan to Deposit Ratio (LDR) is the cause of changes in the level of bank capital adequacy. The higher the LDR, indicates the lower liquidity that can be generated by bank management. These findings are consistent with research conducted by Nuviyanti and Anggono (2014) which states that LDR affects the level of capital adequacy. However, this finding is not in line with the results of research conducted by Nazaf (2014) and Mekonnen (2015) which states that the LDR has no effect on CAR.

Based on the results of testing the third hypothesis shows that Return On Assets affect capital adequacy level. The results of the regression coefficient showed a positive value. This indicates that each increase in the value of ROA will increase the value of CAR which the higher the bank's ability to generate profits, the more funds are intended to increase capital. In accordance with the theory used (agency theory), which states that managers will be threatened by their reputation, if they cannot manage assets in generating company earnings. If ROA increases investors can be more interested in investing their funds through shares and the company will get capital from these shares.

The results of this study are consistent with research conducted by Mekonnen (2015), Ramadhani (2008), and Nuviyanti and Anggono (2014) which show that Return On Assets has a positive influence on the level of capital adequacy. But the results of this study are not in accordance with the research of Masood and Ansari (2016) which states that ROA does not affect the level of capital adequacy.

Based on the results of direct testing shows that the Net Interest Margin has a significant positive effect on the level of capital adequacy. This indicates that banks are better managing their net interest income. These results also support the agency theory used that management will try to increase profits by increasing interest income to increase dividends received and increase company capital.

The results of this study are not consistent with research conducted by Mekonnen (2015) which states that NIM has a negative effect on CAR.

Direct Effect of LDR, NPL, ROA, NIM, BOPO, GCG and Capital Adequacy Level on Share Prices

Based on the results of direct testing shows that the Loan to Deposit Ratio variable has a negative and significant effect on stock prices, this means that a high liquidity ratio can give a negative signal to the Stock Price, these results support the signal theory which states that a high LDR ratio can give a negative signal towards investors. The BOPO variable has a negative and significant effect on the Stock Price, this means that a low BOPO ratio can give a negative signal to Investors that will have an impact on the stock price decline. The test results show that the GCG variable has a significant negative effect on stock prices.

Based on the results of direct testing shows that the Non-Performing Loan variable has a positive and significant effect on stock prices, this shows that the NPL has a positive effect on stock prices, even though the high NPL value investors still feel safe in investing so that the NPL is not the only benchmark for investors in taking decision. Investors also see in terms of assets owned by the company to finance the continuity of the company's operations. This finding supports the theory used in this study, namely signalling theory, which states that the Non-Performing Loan (NPL) which is a measurement of banking performance reflected in the financial statements can give a signal to investors to make stock purchase decisions. Based on the results of testing directly shows that Return On Assets and Net Interest Margin has a positive and significant effect on stock prices. These results support the signalling theory which states that the utilization of assets and the net opinion of bank interest can provide a positive signal to investors, the better this ratio will provide a good response to the movement of stock purchases which will have an impact on increasing stock prices.

Based on the results of direct testing shows that the level of capital adequacy has a significant effect on stock prices. These results indicate that the higher the level of capital adequacy means that the bank has sufficient capital to carry out its business activities and also bears enough risk if the bank is liquidated and vice versa, this makes investors in investing in conventional commercial banks not see the value of the level of capital adequacy as measured by the CAR ratio (Capital Adequacy Ratio) because the average CAR value of conventional commercial banks is more than 8% or has exceeded the minimum capital limit set by regulator.

Indirect Effects of LDR, NPL, ROA, NIM, BOPO and GCG on Stock Prices through Capital Adequacy Level

Based on the results of testing indirectly shows that the Capital Adequacy Level (CAR) variable can strengthen the relationship between LDR, NPL, ROA, NIM, BOPO and GCG on stock prices. This means that a good financial performance ratio can have an impact on meeting the needs of bank capital adequacy, and when the needs of banking capital fulfillment are in accordance with those set by the regulator, investors will feel safe investing their funds in the company, because when the company has a good CAR ratio means the bank is in good health.

5. CONCLUSIONS AND SUGGESTIONS

5.1 Conclusion

Based on the results of research and discussion, the conclusions that can be drawn from this study are:

1. Return On Assets (ROA) has a significant positive effect directly on Capital Adequacy Level and Share Prices and an indirect significant effect on Stock Price through Capital Adequacy Level.
2. Good Corporate Governance (GCG) has not a significant positive effect directly on Capital Adequacy Level and a significant negative effect directly on stock prices and an indirect significant effect on stock prices through Capital Adequacy Level.
3. Non-Performing Loans (NPLs) have a not significant negative effect directly on the level of capital adequacy and a significant positive effect on stock prices and an indirect significant effect on stock prices through Capital Adequacy Level.
4. Net Interest Margin (NIM) has a significant positive direct effect on the level of capital adequacy and stock prices and indirectly significant effect on Share Prices through Capital Adequacy Level.
5. Operating Expenses on Operating Income have a not significant negative effect directly on capital adequacy level and a significant negative effect directly on stock prices and indirectly significant effect on Share Prices through the Capital Adequacy Level.
6. Loan to Deposit Ratio (LDR) has a significant negative effect directly on capital adequacy level and stock prices and indirectly significant effect on stock prices through capital adequacy level.
7. Capital Adequacy Level has a positive and significant effect on stock prices.

5.2 Suggestions

With all the limitations that have been stated before, the researcher gives some suggestions for the future as follows:

1. For the next researcher can find other factors that can provide a significant impact on the level of capital adequacy and stock prices of banks, so as to provide more varied information that is useful for companies and investors.
2. For companies, researchers advise companies to pay attention to company profits, liquidity and net interest income, because the results of the study show that banking capital can be met through the use of assets to generate profits, as well as monitoring the liquidity ratio by maintaining the rate of credit channelled with funds collected. Thus the company can meet the standards set by Bank Indonesia and be able to maintain public confidence in banking services. In addition, companies must also pay attention to the level of problem loans and net interest income, because the level of problem loans, liquidity, profits and utilization of operating expenses to generate operating income and high net interest income also play a role in determining investors to buy shares.
3. For investors, in investment decisions in the banking capital market, researchers advise investors to pay attention to the level of problem loans and

net interest income so as to minimize the risks that will be experienced when investing.

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