# Stock Price and Performance of Indonesian Banking, Case Study for The Period of 2013-2016

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**Abstract — The purpose of this study is to analyze the effect of Return On Assets, Return On Equity and Earning Per Share to stock prices of Banking Companies listed in Indonesia Stock Exchange (IDX) during 2013-2016. This study analyzes the profitability ratios of financial statements of banking companies and their impact on stock prices. Method, The population of this research is Banking Companies listed in IDX during 2013-2016. Samples used are as many as 10 Banking companies with purposive sampling technique to determine the sample based on certain criteria. The analytical technique used is Multiple Regression Analysis. The data is financial statements downloaded from Indonesia Stock Exchange website and tested with SPSS 18 application. Result, Result of this study is that the performance of Indonesian banking is influenced by Return On Asset (ROA), Return On Equity (ROE), which have a significant influence on Stock Price, however Earning Per Share (EPS) has no significant effect on Stock Price. The findings of this study are banking companies that go public in Indonesia, their Stock Price is determined by the value of ROA and ROE and this will assist to provide useful information to other researchers, investors and banking companies**

**Keywords - ROA, ROE, EPS dan stock returns**

## I. INTRODUCTION

Banking has an important role in the economy in Indonesia. Many investors are interested in investing in banking. Therefore, before investing, investors should conduct an analysis. In general, the value of the company is described by the development of stock prices of companies in the capital market. The higher the stock price of a company, the higher the value of the company. Currently there are still many difficulties obtained by investors to find out information of banking companies in Indonesia. The most available information for investors in the capital market is the financial statements. This is because all publicly traded companies are required to issue their financial statements at least 3 months after the close of the financial year.

In measuring the performance performance of a company, investors usually see the financial performance is reflected from a variety of ratios. One indicator of financial performance measurement is often used is the ratio of corporate profitability. The ratio commonly used as a measure of corporate financial performance is Return On Assets (ROA).

Return On Assets (ROA), is the ratio used to measure the company's ability to generate profits derived from investment activities, Mardiyanto (2009: 196). ROA is used to see the extent to which manainvestasi ditanamkan

able to provide returns in accordance with expected profits based on assets owned, Irham (2012: 98).

In addition to using ROA to measure financial performance can also use Return On Equity (ROE). Return On Equity (ROE) is the ratio used to measure the success of the company in generating profit for shareholders, Mardiyanto (2009: 196).
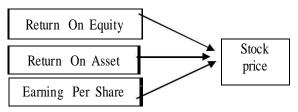
Meanwhile, there is another ratio of Earning Per Share (EPS). Earning Per Share is a form of profit given to shareholders of every share owned, Irham (2012: 96).

The authors choose the ratio of ROA and ROE as a factor that affects stock prices because ROA and ROE represents the ratio representing return on all activities of the company. Meanwhile, EPS is chosen because EPS shows how much rupiah profit earned by investor for each share. All three variables are suspected to be considered by investors in buying shares and may potentially affect stock prices.

## II. METHODOLOGY

The research methodology is a method, procedure, or step used to collect data, process data, and analyze data using a particular technique. Population is a generalization area consisting of: object / subject that has certain qualities and characteristics set by the researcher to be studied to then be drawn conclusion (Sugiyono, 2010: 115).

Conceptual framework



**Hypothesis**

Based on the theoretical framework and framework of thinking as has been described previously it can be prepared research hypothesis as follows:

1. H1: There is influence between return on equity and stock price.
2. H2: There is influence between return on asset and stock price.
3. H3: There is influence between earning per share and stock price.
4. H4: There is influence between return on asset, return on equity, earnings per share and jointly with stock price.

## Population and Sample

Population is a set of data that has the same characteristics and become the object of inference. The population used in this study is a banking sector company (based on the classification of Jakarta Stock Exchange) in the Indonesian capital market from 2013 until the end of 2016.

The sample is part of the population that is considered representative of the population as a whole. Sampling was done by purposive sampling method. The sample used in this research is based on sample selection criteria, namely:

a) A banking company listed on the Indonesia Stock Exchange.
b) Stay listed on the Jakarta Stock Exchange until 31 December 2016.
c) rovide periodic financial reports to the Indonesia Stock Exchange on 31 December.
d) Samples that meet the criteria for selecting the sample are 10 banking companies.

## Data Type

The type of data used in this study is quantitative data. The type of data required:

a) The financial statements of 2013-2015 in the form of a summary of the performance of listed companies obtained from the Indonesia Stock Exchange.
b) The annual share price of each company obtained from the Indonesia Stock Exchange (www.idx.co.id) from 2013-2015.

Sources of data used in this study are secondary data obtained in the form of documentation of financial statements are routinely published each year in the form of a summary of the performance by the company and historical stock prices obtained from the official website of the Indonesia Stock Exchange

## Data Analysis Technique

Data analysis in this research using multiple linear regression analysis. This regression analysis can be used to obtain a comprehensive picture of the relationship between the dependent variable and independent thoroughly either simultaneously or partially. Before performing a linear regression test, this method requires a classical assumption test to obtain the best results (Ghozali, 2001). Data analysis in this research is done by using multiple linear regression with equation as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Information :
Y: Stock Price
X1: Return On Equity
X2: Return On Asset
X3: Earning Per Share
**$\beta_0$: Intercept (Constant)**
**$\beta_1, \beta_2, \beta_3$: Regression coefficients.**
e: Error

**Fault tolerance (α) set at 5% with 95% significance.**

## IV. FINDINGS

The results obtained from collecting quantitative data sourced from secondary data. Sources of data used are secondary data sources obtained by taking data published by the Indonesia Stock Exchange (IDX) from the official website, the financial statements.

Basic Decision Making:

Test T
- If the value of Sig <0,05 or t count> t table then there is influence of variable X to variable Y
- If the value of Sig> 0,05, or t arithmetic <t table then there is no influence of variable X to variable Y

t table = **t (α/2 ; n**-k-1)  = t (0,025  ; (10-3-1))= 0,025;7 = **2,306**

Test F
- If the value of Sig <0,05, or F Count> F table then there is influence of variable X simultant to veriabel Y.
- If the value of Sig> 0.05, or F arithmetic <F table then there is no influence of variable X simultaneously to variable Y.

F table = F (k;n-k) = F (3;10-3)= F (3;7 ) = **4,35**

## 1. Effect of Return On Equity (ROE), Return On Assets (ROA), And Earning Per Share (EPS) Against Share Price Partially

Table 1. Regression Analysis Result Influence Return On Asset (ROA), Return On Equity (ROE), And Earning Per Share (EPS) Against Stock Price Indonesian Banking Company

Coefficients[a]

| Model | | t | Sig. |
|---|---|---|---|
| | (Constant) | -,838 | ,430 |
| | ROE | -,363 | ,728 |
| | ROA | 2,568 | ,037 |
| | EPS | ,074 | ,943 |

a. Dependent Variable: Stock Price

Based on the above table it can be seen how the influence of each variable to stock prices, namely:

1. Return On Equity (X1)

Test results show that the value of t arithmetic - 0.363 <t table 2.306 with the signification number of 0.728> 0.05, so it can be concluded that H1 is rejected which means the variable Return On Equity has no significant effect on Stock Price.

2. Return On Assets (X2)

It is known that in table 1 shows t arithmetic 2.568> t table 2.306 with signification number of 0.037 <0.05, so it can be concluded that H2 is accepted which means the variable Return On Asset has a significant influence on Stock Price.

3. Earning Per Share (X3)

The test results show that the value of t arithmetic 0.074 <t table 2.306 with a signification number of 0.943> 0.05. Thus it can be concluded that H3 is rejected, which means the variable Earning Per Share has no significant effect on Stock Price..

Based on the above data it can be concluded one hypothesis that is partially Return On Equity (X1) and Earning Per Share (X3) has no significant effect on Stock Price, while Return On Asset (X2) partially has a significant influence on Price Stock.

**2. Effect of Return On Equity (ROE), Return On Assets (ROA), And Earning Per Share (EPS) Against Stock Price Simultaneously**

Table 2. Test Result f Influence Return On Asset (ROA),

Return On Equity (ROE), And Earning Per Share (EPS) Against Stock Price In Banking Companies

ANOVA[b]

| Model | | F | Sig. |
|---|---|---|---|
| | Regression | 4,211 | ,054[a] |
| | Residual | | |
| | Total | | |

a. Predictors: (Constant), EPS, ROE, ROA

b. Dependent Variable: Stock Price

Based on the result of F test in table 2 above can F value 4,211 <F table 4,35 then seen with result of probability value significant 0,054> 0,05, hence can be concluded that H4 is rejected which mean simultan no effect between return on equity, return on asset and earnings per share to share price at Banking company listed in Indonesia Stock Exchange period 2013-2016.

Table 3. Results of Determination Coefficient (R-Square) Influence Return On Assets (ROA), Return On Equity (ROE), And Earning Per Share (EPS) Against Stock Price On Banking Companies

Model Summary

| Model | R Square |
|---|---|
| 1 | ,643 |

Based on the results of the coefficient of determination test in the table above, the value of adjusted R Square in the regression model obtained by 0.643. This means that the contribution of Return On Assets (ROA), Return On Equity (ROE), and Earning Per Share (EPS) together to Share Price in Banking companies listed in Indonesia Stock Exchange 2013-2016 period is 0.643 or 64.3%.

V. CONCLUSION

Based on the research results can be concluded that:
1. Return On Assets (ROA) partially have a significant influence on Stock Price
2. Return On Equity (ROE) is partially no significant effect on Stock Price.
3. Earning Per Share (EPS) partially partial has no significant effect on Stock Price.

Based on the results of the above research there are several things that can be used as suggestions, namely:

1. Subsequent research is expected to replace the object of research on certain sector issuers or other indexes on the Indonesia Stock Exchange, such as service sector, manufacturing sector, and other sectors.
2. Further research can add other independent variables, such as Dividend Per Share, Return on Investment, Net Profit Margin and other factors that can affect the stock price.
3. This study only used the research period for four years. Researchers are then expected to use the same sector but with longer research periods so as to produce better research data.
4. For Companies Better for the company should pay attention to Return On Asset because only ROA in this study that is viewed positively by investors. So for the company should be more improve in returning profits as expected by investors because investments invested by investors for the company can be a company asset to improve the company's financial performance in the operation of the company to generate profits.
5. For investors in investing, investors can see Return On Assets (ROA) to know the contribution of assets in creating net income.

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