Financial Performance On Banking Share Price

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Introduction

Investment is the investment of funds in a certain amount which is determined by the ability to predict the future so that it is the need for the future that encourages someone to invest. Today there are many alternatives for individuals and organizations to invest, including through money market media such as Bank Indonesia Certificates (SBI), time deposits and money market mutual funds, as well as investments in stocks and bonds through the capital market media. Each investment medium has a different level of risk and return. The level of risk is strongly influenced by internal and external factors of the company.

One of the attractive investment media for investors is the capital market. The capital market in general is an organized financial system, including commercial banks and all intermediary institutions in the financial sector, as well as all securities in circulation (Romansyah, 2015). The capital market itself has two functions, namely the economic function and the financial function. In the economic function, the capital market provides. In the economic function, the capital market provides facilities for transferring funds from lenders to borrowers. Meanwhile, the financial function has the function of providing the funds needed by borrowers and lenders without having to be directly involved in owning real assets. The capital market itself has instruments consisting of stocks, bonds, evidence of rights, warrants, stock index futures contracts and mutual funds. Shares are securities that are ownership. This means that the shareholder is the owner of the company, the bigger the shares owned, the greater the power in the company. Meanwhile, bonds are debt instruments for companies that wish to obtain capital. The advantage of buying bonds is realized in the form of coupons. Of the two instruments, stocks are the most popular capital market instrument for investors. Many internal and external factors determine stock prices, internal factors such as the state of a country’s economy, political circumstances, even security affect stock prices, and so on. While internal factors are factors from within the company such as the fundamental state of the company. In other words, the fundamental condition of a company can show the financial performance of a company. This financial performance greatly affects the profits generated from company activities within a certain time, the better the financial performance, the better the profits generated.

Good financial performance will greatly affect the stock price of the company caused by the large demand for the company's shares, so that the stock price in the market rises. However, we need further analysis of this financial performance whether in the future this company generates increased or decreased profits or even the same. These analysts mostly use financial reports as a basis for analysis.

This study aims to identify the impact of financial performance on stock prices, especially in banking companies listed on the Indonesia Stock Exchange. Financial performance proxied by TATO, ROA and DER is tested using the classic assumption test to determine the effect on stock prices either partially or simultaneously. The research method used was descriptive quantitative and data testing was carried out using panel data regression with the equation Y = β0 + β1X1 + β2X2 + β3X3 + ε. The test results have proven that both partially and simultaneously the independent variables have an influence but are very weak on the dependent variable.
We can see at a glance the fundamental condition of a company in the financial statements, but financial reports do not provide sufficient information to run a business properly. Therefore, it is not surprising that many studies have been carried out using the financial statements of certain companies as raw materials or research data. Financial ratio analysis is an alternative to test whether the financial information generated by financial accounting is useful for classifying or predicting stock prices in the capital market.

The capital market is an institution that mobilizes public funds by providing facilities that can support economic development. Investors will see the company's financial performance report before making a decision to invest or not. The problem is the uncertainty of changes in stock prices. Analysis of stock prices is a fundamental step that must be taken by investors before making an investment, so that investors are not trapped in adverse conditions.

Analysis of financial statements is needed to be able to understand information about financial reports. Financial analysis is an alternative to test whether financial information is useful or not in predicting stock prices. There are related parties such as investors who issue signals to the financial statements. The report will obtain a rate of return with a level of risk that can be borne by shareholders. Financial ratio analysis is a company analysis instrument intended to show changes in the financial condition of the company concerned. With this financial ratio analysis, it is possible to identify the strengths and weaknesses of the company in the financial sector. Financial ratio analysis can also be used as an early warning system for a decline in a company's financial condition which results in not being able to provide certainty about the company's going concern, especially for companies that go public. Companies that sell to the public aim to increase the company's working capital, business expansion and product diversification. To attract investors, companies must be able to demonstrate their performance. Performance measurement can be done using financial ratios. Investors are interested in stocks that have positive and high returns because they will increase the welfare of investors. Analysis of financial statements includes the calculation and interpretation of financial ratios. Financial ratios can be calculated from the content of financial information in the financial statements so that it shows the strength of the company. Ratio analysis is future oriented, meaning that ratio analysis can be used as a tool to forecast financial conditions and business results in the future. Financial ratio analysis can help business people, the government, and other users of financial statements in assessing a company's financial condition. Financial ratios are also useful in predicting company profits. In addition, financial ratios are used to decide whether to buy company stock, to borrow money, or to predict the company's strength in the future. If the company's financial performance is good, profit growth increases, and conversely the company's performance is not good then profit growth decreases. In this case profit growth is an increase in profits earned by the company compared to the previous year (Mahaputra, 2012).

The problem that arises is the extent to which financial performance affects stock prices and how it influences stock prices. So that companies can focus more on increasing this ratio so that a company's stock price can increase. In this study, researchers only used activity ratios, profit ratios and solvency which were used to test the financial performance of banking company stock prices on the Indonesia Stock Exchange during the 2017 - 2019 period. These ratios are useful for knowing the company's economic condition. Financial performance variables are proxied by using Total Asset Turnover Ratio (TATO), Return on Assets (ROA) and Debt to Equity Ratio (DER).

Method

The type of research used in this research is quantitative with an associative approach. The quantitative research method is a type of research whose specifications are systematic, planned and clearly structured from the start to the creation of the research design. According to Sugiyono (2014), quantitative research methods can be interpreted as research methods based on the philosophy of positivism, used to examine certain populations or samples, sampling techniques are generally carried out randomly, data collection uses research instruments, data analysis is quantitative/statistical with the aim of testing the hypotheses that have been set. The definition of associative research method according to Sugiyono (2014) is research that aims to determine the influence or also the relationship between two or more variables. The population in this study are all banking companies listed on the IDX for the 2017-2019 period and the total population in this study is 44 companies. The reason why the banking sector is used as the population in this study is because banking companies are issuers engaged in financial services with the
most issuers. Based on the criteria determined using the purposive sampling method, the number of companies obtained and used as research samples was 37 companies with a total of 111 financial statements observed. The population in this study are all banking companies listed on the IDX for the 2017-2019 period and the total population in this study is 44 companies. The reason why the banking sector is used as the population in this study is because banking companies are issuers engaged in financial services with the most issuers. Based on the criteria determined using the purposive sampling method, the number of companies obtained and used as research samples was 37 companies with a total of 111 financial statements observed. The population in this study are all banking companies listed on the IDX for the 2017-2019 period and the total population in this study is 44 companies. The reason why the banking sector is used as the population in this study is because banking companies are issuers engaged in financial services with the most issuers. Based on the criteria determined using the purposive sampling method, the number of companies obtained and used as research samples was 37 companies with a total of 111 financial statements observed.

Tabel 1 : Hasil Analisis Regresi Berganda

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>3313.189</td>
<td>1891.355</td>
<td>1.751755</td>
<td>0.0841</td>
</tr>
<tr>
<td>TATO</td>
<td>-12709.89</td>
<td>22769.62</td>
<td>-0.558195</td>
<td>0.5785</td>
</tr>
<tr>
<td>ROA</td>
<td>-2100.702</td>
<td>11929.92</td>
<td>-0.176087</td>
<td>0.8607</td>
</tr>
<tr>
<td>DER</td>
<td>-4.710816</td>
<td>76.80269</td>
<td>-0.061337</td>
<td>0.9513</td>
</tr>
</tbody>
</table>

Effects Specification

<table>
<thead>
<tr>
<th>Cross-section fixed (dummy variables)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>R-squared</td>
<td>0.956597</td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.932756</td>
</tr>
<tr>
<td>S.E. of regression</td>
<td>1210.814</td>
</tr>
<tr>
<td>Sum squared resid</td>
<td>1.04E+08</td>
</tr>
<tr>
<td>Log likelihood</td>
<td>-920.6963</td>
</tr>
<tr>
<td>F-statistic</td>
<td>40.12387</td>
</tr>
<tr>
<td>Prob(F-statistic)</td>
<td>0.00000</td>
</tr>
</tbody>
</table>

From the table above, it can be concluded that the TATO, ROA and DER variables partially do not have a significant effect on stock prices. Evidenced by the probability that TATO has 0.5785 > 0.05, ROA is 0.8607 > 0.05 and DER is 0.9513 > 0.05. The resulting regression equation is $Y = -12709.89TATO - 2100.702ROA - 4.710816DER$.

Results

Based on the multiple regression testing described in the previous section, the interpretation of the results of the test is explained as follows:

First. Effect of total asset turnover on stock prices

The TATO variable shows a negative regression coefficient of 12709.89. The probability shows a value that is smaller than a (0.05), namely 0.5785 so that the 1st hypothesis is rejected.
study proves that the weakness of stock price analysis using this total asset turnover activity ratio. Users of financial reports need to look for other proxies to assess the price of the shares that are the target of their investment and the shares of the companies that are their debtors.

Second. Effect of return on assets on stock prices
The ROA variable shows a negative regression coefficient of 2100.702. The probability shows a value that is smaller than a (0.05) which is 0.8607 so that the 1st hypothesis is rejected. This study proves that the weakness of stock price analysis using this ratio of activity returns on assets. Users of financial reports need to look for other proxies to assess the price of the shares that are the target of their investment and the shares of the companies that are their debtors.

Third. Effect of debt to equity ratio on stock prices
The DER variable shows a negative regression coefficient of 4.710816. The probability shows a value that is smaller than a (0.05) which is 0.9513 so that the 1st hypothesis is rejected. This study proves that the weakness of stock price analysis using the activity ratio debt to equity ratio. Users of financial reports need to look for other proxies to assess the price of the shares that are the target of their investment and the shares of the companies that are their debtors.

Fourth. The effect of total asset turnover, return on assets and debt to equity ratio together on stock prices
The Prob(F-Stat) value is 0.0000 which is less than the F table value of 2.67. So it can be concluded that simultaneously or simultaneously the independent variables have an influence but are very weak so that they cannot be used to properly assess the risk of a decrease or increase in stock prices.

Conclusion
The conclusion that can be drawn from the results of this study is that the variables total asset turnover, return on assets and debt to equity ratio partially and simultaneously do not have a significant effect on stock prices. This can illustrate that to assess the risk of stock returns, both investors and creditors are not advised to use these proxies as a single assessment, but must combine all three and add other variables to get maximum results.

Reference


