The Influence of Financial Performance on Stock Prices in Banking Companies Listed on the Indonesia Stock Exchange (IDX)

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Article Info	Abstract
Financial Performance; Stock Prices; Banking Companies; The Indonesian Stock Exchange (IDX)	The population in this study is the banking sector that went public on the Indonesia Stock Exchange, totaling 31 banks. The sample was determined using a purposive sampling technique with the aim of obtaining a representative sample according to the specified criteria. The sample in this study was 5 banking companies. There are two variables in this study, namely: Independent variables include CAR, RORA, NPM, ROA, and LDR. While the dependent variable is the change in stock prices in banking companies on the IDX and uses the multiple regression method. Based on the research results, it is known that there is a significant influence between CAR, RORA, NPM, and ROA on the stock price of banking companies on the Indonesia Stock Exchange partially, meaning H1 is accepted. While for LDR partially, it is known that it does not have a significant influence on stock prices in banking companies on the Indonesia Stock Exchange, meaning Ho is accepted. For simultaneous testing, there is a significant influence between variables X1, X2, X3, X4, and X5 together on Y (Stock Price) in public banking companies, H1 is accepted.

1. Introduction

The economic crisis that hit Asia in 1997-1998 reminded the government and various international institutions that a crisis in the financial sector, especially banking, could disrupt economic activities as a whole. This is in accordance with Andrew Crockett's opinion (1997) in Muliaman (2004) that financial stability is closely related to the health of an economy.

Based on Law Number 10 of 1998, a bank is defined as 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. As an intermediary institution, banking activities are highly dependent on the trust of its customers, especially fund owners. If trust in a bank is lost, it is almost certain that the bank will experience difficulties. This condition will be even worse if trust in the entire banking system decreases simultaneously as happened in mid-1997 (Muliaman, 2004).

Given the importance of the role of banking in the stability of the financial system and economy, Bank Indonesia continues to monitor and take various steps to maintain banking health and financial system stability, including by regulating and supervising banks. In an effort to maintain banking health, Bank Indonesia has stipulated Bank Indonesia Regulation Number 6/10/PBI/2004 dated April 12, 2004 concerning the General Bank Health Level Assessment System. The assessment of bank health levels includes an assessment of the CAMELS factors (Capital, Asset Quality, Management, Earning, Liquidity, and Sensitivity to Market Risk). Capital for the bank's capital adequacy ratio, assets for asset quality ratios, management to assess management quality, earnings for bank profitability ratios, and liquidity for bank liquidity ratios.

The CAMEL ratio consists of 5 types, including:
1. Capital Adequacy Ratio (CAR), which is a ratio that measures the ability or adequacy of capital owned by a bank to cover possible losses in credit activities and securities trading (Agnes Sawir, 2005). Bank Indonesia sets a minimum CAR requirement of 8%.

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2. Return on Risked (RORA) which is a comparison between operating income and total loans and investments.

3. Net Profit Margin (NPM) measures the bank's ability to generate net profit compared to operating income (Johar Arifin, 2004). A large NPM value indicates more efficient costs incurred, which means a greater level of net profit return.

4. Return on Asset (ROA), ROA information explains how efficient the bank's operations are

   in obtaining profit from one rupiah of assets (Jonni Manurung and Adler H. Manurung, 2009). A larger ROA reflects a better bank position when viewed in terms of asset usage.

5. Loan to Deposit Ratio (LDR), shows how far the bank's ability to repay withdrawals made by depositors by relying on the credit provided as a source of liquidity (Lukman Dendawaijaya, 2005). The higher this ratio indicates the lower the liquidity capacity of the bank concerned. This is because the amount of funds needed to finance credit is getting bigger. The LDR tolerance limit ranges between 85% and 100%.

If the health of a bank financial institution improves, it is expected that its performance will also improve, thus supporting its reputation. Banks that can always maintain their performance well, then the stock value of the bank concerned in the secondary market and the amount of third-party funds that have been successfully collected will increase. The increase in stock value and the amount of third-party funds is one indicator of increasing public trust in banks that perform well.

In general, the better the financial performance of a company, the higher its business profits and the more profits that can be enjoyed by shareholders, and the greater the possibility that stock prices will rise. According to A. Fauzi, performance is one of the fundamental factors that is identified as being able to influence stock prices.

Furthermore, there are two types of stocks, namely common stock and preferred stock. Before investing in a stock, stock analysis is a fundamental thing that must be done by investors. The analysis that is often used is fundamental analysis and technical analysis. Fundamental analysis tries to estimate the stock price in the future by estimating the value of fundamental factors that affect the stock price in the future and applying the relationship between these variables to obtain an estimate of the stock price (A. Fauzi, 2004). The data used in this analysis is historical data such as financial reports. Technical analysis attempts to estimate the stock price (market conditions) by observing changes in the stock price (market conditions) in the past. The goal to be achieved from this analysis is the timeliness in predicting short-term price movements of a stock.

Several studies related to the CAMEL ratio and stock prices have been widely conducted. One of them is a study conducted by Sendi Gusnandar Arnan and Shinta Dewi Herawati (2011). The results showed that simultaneously CAR, RORA, NPM, ROA, LDR, BOPO had an effect on banking stock prices, while partially only CAR, RORA, and NPM variables had an effect on stock prices.

The effect of CAMEL on stock prices is explained in the following description. If CAR, RORA, NPM, and ROA increase, the stock price of the bank in question will increase. This is because the bank has sufficient capital to carry out its business activities and is also sufficient to bear the risks that may arise, the bank is also able to manage risky assets to make a profit so that it will increase security in investing, and with high profitability it is a guarantee for investors that the bank is successful in generating profits. However, this is inversely proportional to LDR, a larger LDR indicates low bank liquidity so that public distrust of the bank will arise which ultimately affects investors' decisions in investing.

Based on the theory that states that stock prices will be influenced by company performance, the author is interested in conducting further research on the influence of CAMEL on stock prices of banking companies listed on the IDX.

2. Research Methods

2.1 Place and Time of Research

This research was conducted on banking companies listed on the BEI (Indonesia Stock Exchange) from February until completion.

2.2 Samples and Sampling Methods

Population is the entire object of psychology that is limited by certain criteria. The sample is determined (randomly). The data in this study uses a combination (the pollinh data) from 2010 to 2012 in the sample company. The criteria used in this sample are as follows:

1. Registered as an LQ45 company in the year of the study.
2. The sample has been registered since 2010 or earlier.
3. The sample has an annual report ending on December 31.

Analysis of the hypothesis in this study uses multiple regression analysis. Multiple regression analysis is used to test the influence between stocks as dependent variables with independent variables (CAR, RORA, NPM, ROA and LDR).

The regression equation can be written as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5$$

Description:

Y	= Average stock price
α	= Constant
$\beta_1...\beta_5$	= Regression coefficient of each independent variable
X_1	= CAR
X_2	= RORA
X_3	= NPM
X_4	= ROA
X_5	= LDR

3. Research Results and Discussion

Diskripsi Variabel Penelitian Perusahaan Perbankan Go Public

Descriptive Statistics

	N	Min.	Max	Mean	Std. Deviation
Y	15	405.00	8100.00	3.60073	2544.09601
X1	15	11.83	18.90	15.2040	2.30397
X2	15	1.14	2.99	2.1380	.54882
X3	15	60.10	81.56	71.9833	6.23948
X4	15	1.13	.3.50	2.6180	.75448
X5	15	67.60	100.57	85.8120	11.34461
Valid N	15				

3.1 Capital Adequacy Ratio (CAR)

CAR is a comparison between equity and Risk-Weighted Assets (RWA). This ratio is used as an indicator of the bank's ability to cover asset declines due to losses on bank assets using its own capital.

The results of the CAR description of banking companies that went public on the IDX show that the number of incoming data is 5 companies with valid n or processed data of 15 and missing n or unprocessed data of 0. The mean or average CAR in 2010-2012 is 15.2040. From the results of the standard errors of the mean, the minimum and maximum range and population can be determined. The minimum ratio in 2010-2012 is 11.83. While the maximum ratio is 18.90. For more details, see the Description table above.

3.2 Return On Risked Asset (RORA)

RORA is a ratio that compares gross profit with the amount of risked assets owned. Gross profit is the result of subtracting income from costs while risked assets consist of securities and credit distributed. The results of the RORA description in banking companies that went public on the IDX show that the number of incoming data is 5 companies with valid or processed data of 15 and missing or unprocessed data of 0. The mean or average RORA in 2010-2012 was 2.1380. From the results of the standard errors of the mean, the minimum and

maximum range and population can be determined. The minimum ratio in 2010-2012 was 1.14. While the maximum ratio was 2.99. For more details, see the Description table above.

3.3 Net Profit Margin (NPM)

NPM is used to measure the level of management performance. This ratio is a financial ratio that measures the bank's ability to generate net income from the bank's main operating activities. The results of the NPM Description on companies that go public on the IDX show that the number of incoming data is 5 companies with valid n or processed data of 15 and missing n or unprocessed data of 0. The mean or average NPM in 2010-2012 is 71.9833. From the results of the standard errors of the mean, the minimum and maximum range and population can be determined. The minimum ratio in 2010-2012 is 60.10. While the maximum ratio is 81.56. For more details, see the Description table above.

3.4 Return On Asset (ROA)

ROA is used to measure the ability of bank management in obtaining overall profit. The greater the ROA of a bank, the greater the level of profit achieved by the bank and the better the position of the bank in terms of asset use. The results of the ROA description of companies that went public on the IDX show that the number of incoming data is 5 companies with valid n or processed data of 15 and missing n or unprocessed data of 0. The mean or average ROA in 2010-2012 is 2.6180. From the results of the standard errors of the mean, the range and minimum and maximum populations can be

determined. The minimum ratio in 2010-2012 is 1.13. While the maximum ratio is 3.50. For more details, see the Description table above.

3.5 Loan To Deposits Ratio (LDR)

LDR is the ratio between credit and third party funds. This ratio shows the bank's liquidity ability to make its credit a source of liquidity.

The results of the LDR description on companies that go public on the IDX show that the number of incoming data is 5 companies with valid n or processed data of 15 and missing n or unprocessed data of 0. The mean or average LDR in 2010-2012 is 85.8120. From the results of the standard errors of the mean, the minimum and maximum range and population can be determined. The minimum ratio in 2010-2012 is 67.60. While the maximum ratio is 100.57. For more details, see the Description table above.

3.6 Stock Price Changes

Stocks are proof of ownership of a company in the form of a Limited Liability Company. The price of a stock is closely related to the market price of a stock. The basic price of a stock is its initial price. The results of the Description of Stock Price Changes in banking companies that go public on the IDX are known that the number of incoming data is 5 companies with n valid or processed data of 15 and n missing or unprocessed data of 0. The mean or average of Stock Price Changes in 2010-2012 is 3,6007. From the results of the standard of mean, the minimum and maximum population data ranges can be determined. The minimum ratio in 2010-2012 is 405.00. While the maximum ratio is 8100.00.

Regression Equation AnalysisModel		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	15765.647	6895.452		2.286	.048					
	X1	466.901	178.948	.423	2.609	.028	.492	.656	.354	.701	1.426

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X2	- 2057.750	727.571	-.444	- 2.828	.020	-.488	-.686	- .384	.748	1.337
X3	-168.473	66.880	-.413	- 2.519	.033	.109	-.643	- .342	.685	1.460
X4	1450.891	640.616	.430	2.265	.050	.707	.603	.307	.510	1.959
X5	-76.160	35.662	-.340	- 2.136	.061	-.443	-.580	- .290	.728	1.373
a. Dependent Variable: Y										

Multiple regression analysis is used to determine whether there is an influence between variables X1 (CAR), X2 (RORA), X3 (NPM), X4 (ROA), X5 (LDR), on variable Y (Stock Price). Based on the calculation results of SPSS 16.00 for windows, the following multiple linear regression equation is obtained:

Y= 15765.64 + 466.90 X1 + -2057.75 X2 + -168.47 X3 + 1450.89 X4 + - 76.16 X5

Where :
Y   = Share Price
X1   = Capita Adequacy Ratio (CAR)
X2   = Return On Risked Assets (RORA)
X3   = Net Profit Margin (NPM)
X4   = Return on Assets (ROA)
X5   = Loan to Deposits Ratio (LDR)

Based on the equation above, it can be interpreted that:
1) The regression coefficient for CAR (X1) is 466.90 and is positive. This means that every one percent change in CAR assuming other variables remain constant, then the change in stock price that occurs is 466.90% in the same direction.
2) The regression coefficient for RORA (X2) is -2057.75 and is positive. This means that every one percent change in RORA assuming other variables remain constant, then the stock price change that occurs is 2057.75% in the same direction.
3) The regression coefficient for NPM (X3) is -168.47 and is positive. This means that every one percent change in NPM assuming other

variables remain constant, then the stock price change that occurs is 168.47% in the same direction.
4) The regression coefficient for ROA (X4) is 1450.89 and is positive. This means that every one percent change in CAR assuming other variables remain constant, then the stock price change that occurs is 1450.89% in the same direction.
5) The regression coefficient for LDR (X5) is -76.16 and is positive. This means that every one percent change in LDR assuming other variables remain constant, then the change in stock price that occurs is 76.160% in the same direction.

Hypothesis Testing
1) Partial Test
a) Capital Adequacy Ratio (CAR)
Based on the calculation results using the SPSS 16.0 For Windows program, the t-count value for the CAR variable is 2.609. The provisions for making decisions on the hypothesis are accepted or rejected based on the comparison between t-count and t-table. Furthermore, the t-table obtained at a significance level of 5% with two-tailed testing and DK = 15-5-1 = 9 is 2.262. The results of the study obtained -t-table <t-count <t-table. it is concluded that the performance hypothesis (H1) which states "there is an influence between CAR and Stock Prices on changes in banking going public", is accepted.

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b) Return On Risked Assets (RORA)

Based on the calculation results using the SPSS 16.0 For Windows program, the t-value for the RORA variable is -2.828. The provisions for making decisions on the hypothesis are accepted or rejected based on the comparison between t and t table. Furthermore, the t table obtained at a significance level of 5% with two-tailed testing and Dk = 15-5-1 = 9 is 2.262. The results of the study obtained -t table <t count <t table. It is concluded that the performance hypothesis (H1) which states "there is an influence between RORA and Stock Prices in public banking companies" is accepted.

c) Net Profit Margin (NPM)

Based on the calculation results using the SPSS 16.0 For Windows program, the t value for the NPM variable is -2.519. The provisions for making decisions on whether the hypothesis is accepted or rejected are based on the comparison between t count and t table. Furthermore, the t table obtained at a significance level of 5% with two-tailed testing and Dk = 15-5-1 = 9 is 2.262. The results of the study obtained -t table <t count <t table. It is concluded that the performance hypothesis (H1) which states "there is an influence between NPM and Stock Prices in public banking companies" is accepted.

d) Return On Asset (ROA)

Based on the calculation results using the SPSS 16.0 For Windows program, the t value for the ROA variable is 2.265. The provisions for

making decisions on the hypothesis accepted or rejected are based on the comparison between t count and t table. Furthermore, the t table obtained at a significance level of 5% with two-tailed testing and Dk = 15-5-1 = 9 is 2.262. The results of the study obtained -t table <t count <t table. It is concluded that the performance hypothesis (H1) which states "there is an influence between ROA and Stock Prices in public banking companies" is accepted.

e) Loan To Deposits Ratio (LDR)

Based on the calculation results using the SPSS 16.0 For Windows program, the titug value for the LDR variable is -2.136. The provisions for making decisions on the hypothesis are accepted or rejected based on the comparison between tcount and ttable. Furthermore, the ttable obtained at a significance level of 5% with two-tailed testing and Dk = 15-5-1 = is 2.262. The results of the study obtained -ttable>tcount>ttable. It is concluded that the performance hypothesis (H0) which states "there is no influence between LDR and Stock Prices in public banking companies" is accepted.

2) Simultaneous Test

To find out whether there is an influence between variables X1 (CAR), X2 (RORA), X3 (NPM), X4 (ROA), X5 (LDR), simultaneously on variable Y (Stock Price Changes) in public banking companies, a simultaneous test is conducted. For more details, the calculation results can be seen in the following table:

Simultaneous Test Results
ANOVAb

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.559E7	5	1.512E7	9.056	.003a
	Residual	1.502E7	9	1669333.355		
	Total	9.061E7	14			
a. Predictors: (Constant), X5, X2, X1, X3, X4						
b. Dependent Variable: Y						

Based on the calculation results using the SPSS program, the Fcount value is 9.056 while Ftable is 3.482, so Fcount> Ftable. This means that the working hypothesis (H1) which states

"there is an influence between variables X1 (CAR), X2 (RORA), X3 (NPM), X4 (ROA), X5 (LDR), together on variable Y (Stock Price Changes) in public banking companies", is accepted.

Based on the results of hypothesis testing, it is known that CAR, RORA, NPM, and ROA partially have a significant effect on stock prices in banking companies that go public on the IDX. While for LDR partially does not have a significant effect on stock prices in banking companies that go public on the IDX. Meanwhile, based on the results of simultaneous hypothesis testing, it is known that CAR, RORA, NPM, ROA, and LDR have a significant effect on stock prices in banking companies that go public on the IDX.

a. Capital Adequacy Ratio (CAR)

The CAR ratio is used to measure the extent to which a bank's capital is able to anticipate a decline in assets. According to Kasmir (2002:76) CAR is a financial ratio that measures a bank's ability to bear risks that may arise on assets.

Basically, the higher the CAR, the higher the stock price, because a bank with a high CAR indicates that it has sufficient capital to carry out its business activities and is also capable of bearing risks in the event of liquidation. A higher CAR also reflects that the bank is becoming more solvent.

With such conditions, namely sufficient capital, a bank will be able to finance its many service products, in addition, large CAR equals large capital and low-risk assets. The main thing is that with high CAR, the risk in investing is low. Such things will encourage investors to flock to buy the shares. According to the law of supply and demand, these conditions will increase the stock price. This ratio has a positive relationship to the stock price.

b. Return On Risked Asset (RORA)

Based on the research results, it is known that RORA has a significant effect on the stock price of banking companies that go public on the IDX. RORA is a ratio to measure the quality of assets related to the continuity of the bank's business. So that it is able to describe the company's performance, which will ultimately be able to influence the stock price of the company concerned. Because the stock price projection is carried out by considering the company's performance projections in the future. The company's performance that is assessed is associated with the fundamental conditions or financial performance of the company. Fundamental conditions reflect the performance of financial variables that are considered basic or important in changes in stock prices. Adherents of fundamental analysis assume that if the fundamental conditions or financial performance of the company improve, the expected stock price will also increase (Ghizali, 2002:32)

c. Net Profit Margin (NPM)

The results of the study on the third variable show that NPM has a significant effect on the stock price of banking companies that go public on the IDX. The level of economic return can be equated with above-average income. This income is the excess income that an investor expects from other investments with a perfect amount of risk.

This happens because of the high quality of management as measured by the ratio of net profit to operating income. A large net profit value is an important factor in determining changes in stock prices. This ratio is very important because investors want to see how management generates net profit from its total operating income. The higher the ratio produced, the more efficient the management is in using its costs. This can guarantee high returns for investors in the form of dividends. That is why the high level of financial return will be followed by high stock prices.

d. Return On Asset (ROA)

The results of the study on the fourth variable show that ROA has a significant effect on the stock price of banking companies that go public on the IDX. Where ROA is used to measure the ability of bank management to obtain overall profit from the total assets owned (Dendawijaya, 2009: 118). Is the bank able to obtain profit from all the assets it owns, because one of the main assessments of an investor in investing their shares is by looking at the profit obtained by the company, whether it is profitable enough or not. So when the management's ability in the bank is able to obtain a fairly large profit every year from the assets it

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owns, this is able to attract investors to invest their shares in the banking company.

e. Loan To Deposits Ratio (LDR)

The results of the study on the fifth variable show that LDR has no significant effect on the stock price of banking companies that go public on the IDX. Because LDR reflects the daily business activities or operations of banking. How are its operations financed, whether more from debt or company capital. Investors will prefer banks that are able to finance their operations with capital or if they have to be financed with debt, then the bank must be able to return it with the assets it owns.

With high bank liquidity, it will be able to increase consumer confidence in the bank. So that investors look at the company to invest their capital and will have an impact on increasing stock prices.

In determining the policy, the bank needs to consider the elements of capital adequacy, productive asset quality and credit distribution. So it can be said that to increase the value of its company on the IDX, the bank needs to focus its policy on capital adequacy, asset quality, and its intermediary function. The amount of operational costs that must be incurred by the bank should not be a stumbling block for the bank to expand. In implementing the policy, bank management still needs to maintain the provisions of the banking authority and implement risk management that includes market risk, credit risk and operational risk.

4. Conclusion

4.1 Conclusion

This study aimed to analyze the influence of financial performance indicators—specifically the Capital Adequacy Ratio (CAR), Return on Risked Assets (RORA), Net Profit Margin (NPM), Return on Assets (ROA), and Loan to Deposit Ratio (LDR)—on stock prices of banking companies listed on the Indonesia Stock Exchange (IDX) from 2010 to 2012. The results show that CAR, RORA, NPM, and ROA have a significant positive effect on stock prices, while LDR has no significant influence. This

indicates that investors prioritize profitability and capital strength as major considerations in investment decisions within the banking sector. High profitability and adequate capital buffers reflect better financial health and risk management, which in turn increase investor confidence and stock value. Conversely, liquidity levels (LDR) are not a primary determinant of investor perception, likely due to strong regulatory frameworks and liquidity support mechanisms established by Bank Indonesia.

Overall, the findings confirm that financial performance serves as a key determinant of stock price behavior in Indonesian banking institutions, reinforcing the theoretical link between firm fundamentals and market valuation as described in signaling theory and efficient market hypotheses.

3.2 Managerial and Theoretical Implications

Managerial Implications:

1. Banking management should enhance **profitability efficiency** by improving asset utilization and operational effectiveness to ensure sustainable profit growth.
2. Maintaining a strong **capital adequacy position** is crucial for minimizing financial distress risk and maintaining investor trust.
3. Financial managers should focus on strengthening **return-based ratios (ROA, NPM)** as they are directly linked to stock price appreciation.
4. Continuous **disclosure transparency** in financial reporting enhances investor confidence and aligns with good governance practices.

4.3 Theoretical Implications:

1. The study reinforces **signaling theory**, suggesting that financial ratios serve as credible signals of firm performance to investors.
2. The findings contribute to the empirical evidence that supports the **efficient market hypothesis (EMH)** in emerging markets, particularly Indonesia, where financial performance information is quickly incorporated into stock prices.

3. The integration of multiple financial ratios provides a comprehensive framework for future models analyzing firm value determinants.

4.3 Limitations of the Study

While the research contributes valuable insights, several limitations should be acknowledged:

1. **Short observation period (2010–2012):** This limited timeframe may not capture long-term fluctuations or external shocks (e.g., macroeconomic crises).
2. **Small sample size (five banks):** Restricting the analysis to a few listed banking companies may reduce generalizability across the entire sector.
3. **Exclusion of macroeconomic variables:** Factors such as inflation, interest rates, or exchange rate volatility, which could influence stock prices, were not considered.
4. **Secondary data dependency:** Reliance on publicly available data limits control over data accuracy and completeness.

4.4 Recommendations for Future Research

1. **Extend the observation period** to cover at least 5–10 years to better capture cyclical and long-term financial market trends.
2. **Increase the sample coverage** to include non-banking financial institutions or cross-sectoral comparisons to validate general patterns.
3. **Incorporate macroeconomic and non-financial factors**, such as GDP growth, inflation, corporate governance, or environmental performance, to enrich the model.
4. **Apply advanced econometric techniques**, such as panel data with random/fixed effects, or Structural Equation Modeling (SEM), for more robust inference.
5. **Explore digital transformation and ESG factors**, as emerging variables influencing market performance and investor behavior in the post-pandemic era.

4.5 Practical Recommendations

1. **For Bank Management:** Maintain a balance between profitability and liquidity management to ensure sustainable growth and investor trust.
2. **For Investors:** Evaluate financial ratios—especially ROA, NPM, and CAR—when making stock investment decisions in the banking sector.
3. **For Policymakers:** Strengthen capital regulations and transparency requirements to enhance market efficiency and investor protection.

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