

THE EFFECT OF BOPO, ROA AND BUSINESS RISK ON SHARE PRICE

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ABSTRACT

This study aims to determine and analyze the effect of BOPO, ROA, and Systematic Risk on stock prices. The population in this study were BUMN Banking Sector companies listed on the IDX in 2020 - 2023. This research data uses quarterly data, so that the total research data is 64 data. The results showed that BOPO has a significant negative effect on stock prices, ROA has a significant positive effect on stock prices while systematic risk has an insignificant positive effect on stock prices.

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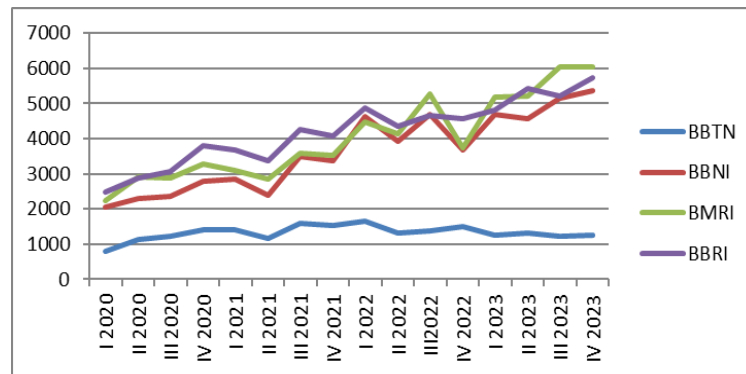
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1. Introduction

Stocks are one of the investment instruments with high profit and risk offers. Therefore, investors need a deep understanding and the right strategy. In investing in stocks, investors must be prepared to face market volatility and sharp price fluctuations. However, with good analysis and portfolio diversification, stocks can provide profitable returns in the long run. Therefore, stocks are an attractive option for investors who have sufficient risk tolerance and a desire to optimize the returns on their investments.

Banking stocks, especially state-owned banks, are attractive stocks for investors to own, as state-owned companies usually show stability and consistent growth. State-owned banks often receive support from the government, which can provide additional confidence for investors. In addition, the banking sector is the backbone of the economy, with growing demand for financial and banking services. SOE bank stocks also often offer attractive dividends, making them a good choice for investors seeking passive income. With strong fundamentals and long-term growth prospects, SOE bank stocks can be an important part of a balanced investment portfolio.

Based on the researcher's initial observations, it is known that the share price of bank companies with BUMN status fluctuates. This can be seen in Graph 1.



Graph 1 3-Month Stock Price Movement of State-Owned Banks listed on the IDX

Based on Graph 1, it is known that the share price of BUMN Banks fluctuates quite a lot. If investors can buy shares when the price drops and sell them back when there is an increase in price, they will benefit from their investment, and vice versa. Therefore, investors must be able to see what factors affect stock price movements in the stock market.

The share price of both private and state-owned shares is influenced by the company's financial performance, some of the financial performance of banking companies that are often used as a benchmark for investors to own these shares include BOPO and ROA. BOPO is a ratio that compares Operating Expenses to Operating Income. This ratio is used to assess the efficiency and ability of banks to carry out their operational activities, by dividing total operating costs by total operating income calculated based on a certain position, not based on an annual period (Wijono et al., 2023). A high BOPO ratio indicates that the company is less efficient in its operations, which can result in a decrease in share price. Investors may assume that the company is unable to manage costs and generate profits properly. The inability to control operating costs can reduce profit margins, reduce investor confidence, and potentially reduce investment interest in the company's shares so that the company's stock price will fall (Yuyun et al., 2021).

The next factor that affects the stock price is Return On Assets (ROA) is a financial ratio that measures how effective the company is in generating profits from its assets. This ratio reflects how efficiently assets are used to generate profits. The higher this ratio, the better, because this shows that assets can quickly generate profits (Efendi & Ngatno, 2018). Companies with high ROA attract investors' attention, this is because a high ROA shows that the company is efficient in carrying out its operations, thereby increasing market confidence. This can increase the demand for the company's shares, thus pushing the stock price up (Efendi & Ngatno, 2018).

In addition to financial performance factors, another factor that also affects stock prices is systematic risk. systematic risk is a type of risk that cannot be avoided through portfolio diversification. This risk includes factors that affect the entire market or sector at large, such as changes in interest rates, inflation, economic recession, changes in government policy, and global events such as wars or natural disasters. Since systematic risk affects the entire market, all stocks within a market will be affected by it, although the effect may be different on each stock depending on each stock's sensitivity to these factors. Systematic risk is often measured through a stock's beta, which is a measure of the sensitivity of a stock's returns to overall market movements. High beta stocks tend to be more volatile and more affected by market changes, while low beta stocks tend to be more stable (Steven & Ghazi, 2022).

The problem formulation in this research is How the Effect of BOPO, ROA and Systematic Risk on Stock Prices. The purpose of this study was to determine and analyze the effect of BOPO, ROA and Systematic Risk on Stock Prices.

2. Literature Review

Theory signaling

Signaling theory is a shareholder's perspective on the company's opportunity to increase company value in the future, where the information is provided by company management to shareholders. This action is taken by the company to signal to shareholders or investors about how management sees the company's future prospects. That way, shareholders can distinguish between good quality and less quality companies (Mayangsari, 2018).

Stock Price

Stock price is the price of a stock that occurs on the stock exchange at a certain time determined by market participants and determined by the demand and supply of the shares concerned in the capital market (Jogiyanto, 2017). The stock price in this study is measured using the closing stock price obtained from the yahoo finance website.

BOPO (Operating Costs to Operating Income)

The BOPO ratio is a ratio between operational costs and operational income which is used to measure the level of bank efficiency in carrying out its operational activities. The greater the level of this ratio indicates that the bank is inefficient in reducing its operational costs (Sampeliling, 2022). BOPO is measured by the following equation.

$$BOPO = \frac{\text{Operating costs}}{\text{operating income}} \times 100\% \text{ Equation 1}$$

A high BOPO ratio indicates that the company is less efficient in its operations, which can result in a decline in share prices. Investors may assume the company is unable to manage costs and generate profits well. The inability to control operational costs can reduce profit margins, reduce investor confidence, and potentially reduce investment interest in the company's shares so that the company's share price will fall (Yuyun et al., 2021).

H1: BOPO has a significant negative effect on share prices

LONG (Return On Asset)

Return on Assets (ROA) describes how well the bank's ability to generate profits from the use of its assets. A high ROA value indicates that the bank is efficient and is able to generate greater profits, while a low ROA value indicates that the bank is inefficient and its profits tend to decrease (Sampeliling, 2022). ROA is measured by the following equation.

$$ROA = \frac{\text{Net Profit}}{\text{Total Asset}} \times 100\% \text{ Equation 2}$$

Companies with high ROA attract the attention of investors, this is because a high ROA shows that the company is efficient in carrying out its operations, thereby increasing market confidence. This can increase demand for company shares, thereby pushing share prices up (Efendi & Ngatno, 2018)

H2: ROA has a significant positive effect on share prices

Systematic Risk

Systematic Risk is a sign of the movement of asset returns towards market returns. The greater the asset return, the greater the share return which will be reflected in an increase in share prices. Systematic risk is measured by a formula

$$R = a + \beta R_{ihsg} + e$$

Stocks with high beta are expected to command a higher risk premium due to higher volatility and risk. This means investors are willing to pay more for the stock if they believe they will get a higher return

H3: Systematic Risk has a Significant Positive Effect on Stock Prices

3. Method, Data, and Analysis

Types of research

This research is causality research. Causality research is a type of research designed to examine the possibility of a cause-and-effect relationship between variables, so that researchers can state the classification of the variables (Sugiyono, 2019)

Population, Sample and Sampling Technique

The population in this research is BUMN Banking Sector companies registered on the IDX in 2020 - 2023. This research data uses quarterly data, so the total research data is 64 data.

Types and Methods of Data Collection

The data utilized in this research comes from secondary sources, secondary data is data that is indirectly sent to data collectors, in the sense of via media as an intermediary (Sugiyono, 2019). The data collection method used is documentation

Data analysis technique

Data analysis in this research consists of

1. Classic Assumption Test (Normality, Multicollinearity, Autocorrelation and Heteroscedasticity)
2. Model Fit Test
3. Multiple linear regression equation
4. Hypothesis Testing (t Test)
5. Coefficient of Determination

4. Result and Discussion

The results of this research are as follows.

Classic assumption test

Summary results The Classic Assumption Test can be seen in table 1

Table 1 Summary of Classical Assumption Test Results

No	Test Type	Test results	Requirement	Information
1	Normality test	The sig value is 0.314	Sig value > 0.05	Normally Distributed Data
2	Multicollinearity Test	The VIF value of all variables is < 10 and the Tolerance value is > 0.10	VIF < 10 and Tolerance value > 0.10	Multicollinearity does not occur
3	Autocorrelation Test	obtained dw = 1.936 this shows that you <DW< 4 - you 1.6946<1.936<2.3054	you < dw < 4-you for k (independent variable) = 2 and n = 64, du is obtained 1.6946	There is no autocorrelation
4	Heteroscedasticity Test	The sig value of all independent variables is > 0.05	Sig value > 0.05	Heteroscedasticity does not occur

Source: Research data for 2024

Based on Table 1 shows that the data in this study is not disturbed by classical assumptions so that it can be continued in the next test.

Model Fit Test (F Test)

The results of the model suitability test can be seen in table 2

Table 2 Model Fit Test

F	Say.
32.477	.000 ^b

Source: Research data for 2024

Based on Table 2 shows that the data in this study meets the requirements of the model suitability test because the significance value of the F test is <0.05

Equality Multiple Linear Regression

Table 3 Multiple Linear Regression Equations

Model	Unstandardized Coefficients	
	B	Std. Error
(Constant)	5.598	.999
1 BOPO	-.052	.013
LONG	1.073	.210
Beta	.141	.153

Source: Research data for 2024

The multiple linear regression equation in this research is as follows

$$Y = 5.598 - 0.052X_1 + 1.073X_2 + 0.141X_3$$

Based on From this equation it is known that if₁, increases it will cause variable Y to decrease, whereas if₂ and X₃ Increases, it will cause variable Y to increase

Test Hypothesis

Table 4 Hypothesis Test (t Test)

Model	t	Say.
(Constant)	5.606	.000
1 BOPO	-3.934	.000
LONG	5.110	.000
Beta	.917	.363

Source: Research data for 2024

Based on table 4 it is known that BOPO has a significant negative effect on stock prices because the significance value is < 0.05, ROA has a significant positive effect on stock prices because the significance value is < 0.05 and Systematic Risk (Beta) has an insignificant positive effect on stock prices because the significance value is > 0.05

Discussion

The Effect of BOPO on Share Prices

The results of this research show that BOPO has a significant negative effect on stock prices. This is because investors tend to view a high BOPO ratio as an indication that the company may not be managing its resources efficiently, which could have a negative impact on net profit and expected dividends. This can reduce investor interest in the company's shares, resulting in a decline in share prices.

This research is in line with research conducted by Asri, (2018) which concluded that BOPO had a significant negative effect on share prices.

The Effect of ROA on Share Prices

The results of this research show that ROA has a significant positive influence on share prices. This is caused by ROA (Return on Assets) which assesses how efficiently the company uses

its assets to generate profits. A high ROA indicates that the company can manage its assets effectively to achieve large profits, which reflects operational efficiency and good management. Investors view a high ROA as an indicator that a company has strong profit potential and good financial stability. With this positive signal, investors tend to be interested in buying shares in the company, so that the share price will rise.

The results of this research are in line with research conducted by (Triyanti & Susila, 2021) which concluded that ROA has a significant positive effect on share prices.

The Effect of Systematic Risk on Stock Prices

The results of this research indicate that Systematic Risk has an insignificant positive influence on stock prices. This is because share prices tend to be more influenced by company-specific factors, portfolio diversification, and stabilization measures taken by governments and financial institutions. Investors often focus on a company's fundamental performance and market sentiment which more directly influence share prices

The results of this research are in line with research conducted by Steven & Ghazi, (2022) which concluded that systematic risk has an insignificant positive effect on stock prices.

5. Conclusion and Suggestion

This research resulted in the finding that BOPO had a significant negative effect on stock prices, ROA found that ROA had a significant positive effect on stock prices and for the systematic risk variable it had an insignificant positive effect on stock prices. Some limitations of this research include the number of independent variables being limited to only 3 variables. Therefore, further research can add other independent variables to develop this research.

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