ANALYSIS OF THE INFLUENCE OF RETURN ON ASSETS (ROA), DEBT TO ASSET RATIO (DAR), AND PRICE EARNING RATIO (PER) ON PERSERO BANKING STOCK PRICES IN 2014-2021

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Abstract

This study aims to analyze the influence of variables Return on Asset (ROA), Debt to Asset Ratio (DAR), and Price Earning Ratio (PER) on the prices of persero banking stock listed on the Indonesia Stock Exchange in 2014-2021. The data used in this study is secondary data obtained through the publication of persero banking financial reports published on the website www.idx.com in 2014-2021. The analytical method used in this study is a quantitative method using panel data regression techniques using the method of the fixed effect processed using the Eviews 8 program. The results of the analysis of this study indicate that the variable Price Earning Ratio (PER) has a probability t-statistic value of $0.0139 < $ alpha 0.05, so it can be concluded that Price Earning Ratio (PER) has a positive and significant effect on share prices of persero banks in 2014-2021.

Keywords: Stock prices, Return on Assets, Debt to Asset Ratio, Price Earning Ratio

INTRODUCTION

Today the business world is becoming increasingly competitive; this requires every company to constantly innovate to continue to grow and develop so that it will always be relevant to the times. Therefore a company requires a lot of capital to ensure operational continuity so that it continues to run smoothly. One way to get funds or capital is to decide the company to go public. With go public allows a company to sell stock to the public. It opens opportunities for the general public to invest and list their stock on the stock exchange—one of the places to support additional capital for companies in the capital market. A capital market is a place for companies to offer stocks and bonds with the intention that the company's funds will increase, thereby strengthening the company's capital from sales (Fahmi, 2012). In its function, the capital market acts as a facilitator for investors who have excess funds to be channeled or transferred to issuers who need additional funds. In Indonesia, initially, there were two capital markets, namely the Surabaya Stock Exchange and the Jakarta Stock Exchange, which in 2007 both merged and changed their name to the Indonesian Stock

Exchange (IDX) and became a platform for companies that want public where one of the activities is a transaction between excess funds owned by investors with the form of company ownership or commonly referred to as stock. By investing in a company, investors hope to receive profit sharing from the company's activities in return for share ownership. In investment activities in the capital market, stock prices represent the value of a company, so stock prices become one of the elements in investment activities. The value of stock prices constantly fluctuates, so to measure or predict future stock prices, an approach is needed that is used as a parameter in making investment decisions; one of these approaches is fundamental analysis.

Fundamental analysis is an analysis of value determinants such as the income a company might generate based on the country's economic opportunities and how the company's business environment is to find a fair share price(Bodie & Alan J. Markus, 2014). Financial ratio analysis is used in fundamental analysis, such as profitability ratios that show a company's ability to create profits and solvency ratios that measure a company's ability to fulfill its obligations; several financial ratios can

be used as material for fundamental analysis or can affect stock prices, such as Return on Asset (ROA), Debt to Asset Ratio (DAR), and Price Earning Ratio (PER). This ratio can be seen from the company's annual financial report or can be seen from the summary financial statements.

Banking companies in the economic system of a country have an important role in supporting the country's economy because banks are intermediaries in economic activity through the collection and distribution of funds in the community. In a banking company, the better the level of profitability, the better the ability to distribute dividends, the business prospects are always growing, and the prudential banking regulations can be met properly (Al umar & Nur Savitri, 2020). In terms of ownership, banking companies in Indonesia are divided into two, namely government and private banks. In carrying out their activities, state banks have two roles at once: profit and state development. Persero banks include BRI, BNI, Bank Mandiri, and BTN. In Indonesia's banking industry, persero banks have good quality, as evidenced by the achievements they have obtained, namely being awarded the number one, two, four, and six bank titles out of 118 banks in Indonesia and are positioned as market leaders. The good performance of the persero banking industry and the ability of the bank to earn profits have influenced the price fluctuations of the persero banking stock.

The following is a graph of the share price of the persero banking company.

Graph 1. Share prices of persero banks
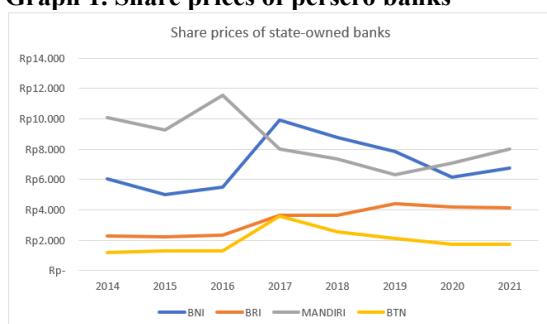
Source: Indonesia Stock Exchange

LIBRARY STUDY
- Capital Market
  The capital market is an organized system in the financial sector, which includes commercial banks, all securities spread, and all intermediary institutions in the financial industry (Porwanta & Didit Herlianto, 2020).
- Stock
  Stock are information on equity participation or ownership of a company or limited liability company by a person or business entity. Stock are securities in the form of sheets of paper issued by companies which can explain if the owner of the document or shares is the owner of the company (Darmadji & H. M. Fakhruddin, 2012).
- Stock price
  The Stock price is the value of a share in rupiah units that is realized due to the buying and offering of stock on the stock exchange by stock exchange members (Hadi, 2013). In the capital market, the stock price is an essential factor because the company's condition and performance can be described by the stock price (Nawi Purba, Thalia, & Daniela, n.d.).
- Return on Asset (ROA)
  Return on Assets is a ratio that explains the extent to which assets contribute to net profit (Herry, 2015). Meanwhile, according to (Tandelilin, 2010), Return on Assets is a ratio that explains how much the company's assets can generate profits.
- Debt to Asset Ratio (DAR)
  Debt to asset ratio is a ratio that compares the use of debt and assets used to find out the extent to which debt is used to pay for assets. Debt to asset ratio is a debt ratio that measures the assets used to cover all liabilities (Hantono, 2017).
- Price Earning Ratio (PER)
  The price Earning Ratio is a ratio that compares the market price of each share to Earnings Per Share (EPS). The price-earning ratio explains the appreciation

made by the market for the company's ability to generate profits (Darmadji & H. M. Fakhruddin, 2012).

RESEARCH METHODS

This type of research uses quantitative descriptive analysis using panel data regression techniques to see the relationship between variables This research focuses on persero banks listed on Indonesia's capital market or the Indonesia Stock Exchange (IDX). The variables used in this research are Return on Asset (ROA), Debt to Asset Ratio (DAR), and Price Earning Ratio (PER), while the stock price is a related variable. In this study, the data used is secondary data which is obtained through the Indonesia Stock Exchange or IDX for the 2014-2021 time period. The data used in this study are Return on Asset (ROA), Debt to Asset Ratio (DAR), and Price Earning Ratio (PER) in persero banks for the 2014-2021 period. This research deals with the factors that influence stock prices in persero banks.

$$STP_{it} = \beta_0 + \beta_1 ROA_{it} + \beta_2 DAR_{it} + \beta_3 PER_{it} + \varepsilon_t$$

Where:
STP	=	Stock Price
ROA	=	Return on Asset
DAR	=	Debt to Asset Ratio
PER	=	Price Earning Ratio
E	=	Error term (error)
B_0	=	Constant
b_1	=	Independent variable
b_3		regression coefficient
i	=	Company banking
t	=	year to t

RESULTS AND DISCUSSION

The estimation results of this econometric model use the approach Common Effect Model (CEM), Fixed Effect Model (FEM) and Random Effect Model (REM) along with the results of the model selection test are summarized in Table 1.

Table 1. Panel Data Regression Results

Variabel	Koefisien Regresi		
	CEM	**FEM**	**REM**
C	29804.45	9073.114	29804.45
ROA	760.7572	701.3957	760.7572
DAR	-336.2397	81.25322	-336.2397
PER	194.5837	111.2202	194.5837
R^2	0.407383	0.869612	0.407383
Adjusted R^2	0.343888	0.838319	0.343888
Statistik F	6.416020	27.78927	6.416020
Prob. Statistik F	0.001908	0.000000	0.001908

Model Selection Test

Chow
  Cross- Section $F(3,25)$ = 29.541924; Prob. $F(3,25)$ = 0.0000
Hausman
  Cross-Section random h^2 (3) = 88.625772; Prob. h^2 = 0.0000

Table 1 explains that the appropriate Chow model test is Fixed Effects because the probability value is 0.0000 < alpha 0.05, while the Hausman test demonstrates that the fixed effect is the chosen model because it shows a probability value of 0.0000 < alpha 0.05, so it can be concluded that the fixed effect is the selected model.

Table 2. Shows the complete estimation results, the estimation model *Fixed Effect* Model (FEM)

Table 2. Estimation Fixed Effect Model (FEM)

$$STP_{it} = 9073.114 + 701.3957\, ROA_{it}$$
$$- 81.2532\, DAR_{it}$$
$$+ 111.2202\, PER_{it}$$
$$(0.3995)\quad (0.5123)\quad (0.0139)**$$

R^2 = 0.869612; DW stat.= 1.247927; F-Stat.= 27.78927; Prob F stat = 0.000000

Source : Process data with Eviews 8 Description : * Significant at = 0.01; ** Significant at = 0.05; *** Significant at = 0.10

Table 2. Shows the results of the fixed effect estimation that the F-stat Probability value is 0.000000 < alpha 0.05, and also shows the value of the coefficient

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of determination is 0.869612, which explains 86.96% of the variation in stock price variables can be explained by variations in the Return on Asset (ROA) variable. , Debt to Asset Ratio (DAR), and Price Earning Ratio (PER). While the other 13.04% is explained by factors or variables not included in this research.

According to the validity test, the variable influence price Earning Ratio(PER) positively and significantly influences stock price variables. In contrast, variables Return on Asset(ROA) has a positive but not significant effect on the stock prices of persero banking companies, and variables Debt to Asset Ratio(DAR) have a negative and not significant impact on the share price variable of persero banks.

- Influence Return on Asset (ROA) against the stock price
  Based on the regression results show that Return on Asset (ROA) has a positive but not significant effect on the stock price of state-owned banks with a coefficient of 701.3957 and the value of the probability t-statistic is 0.3995 > alpha 0.10, so that Return on Asset (ROA) can be interpreted as having a positive but not significant effect on the share price of persero banks. This following previous research conducted by (Lestari & Ni Putu Santi Suryantini, 2019) and (Utami et al., 2018) which showed that stock prices were not significantly influenced by Return on Asset (ROA).

- Influence Debt to Asset Ratio (DAR) against the stock price
  Based on the regression results show that Debt to Asset Ratio (DAR) has a negative and insignificant effect on the stock price of persero banking companies with a coefficient level of 81.2532, and the value of the probability t-statistic is 0.5123 > alpha 0.10 so that Debt to Asset Ratio (DAR) can be interpreted as having a negative and insignificant effect on stock prices of

persero banks. This follows previous research conducted by (Wangdra & Barelang, 2019) and (Mulatsih & Irma Dwi Puspita Dewi, 2021), which shows that stock prices are not significantly affected by the Debt to Asset Ratio (DAR)..

- Influence Price Earning Ratio (PER) on stock prices
  Based the regression results explained that Price Earning Ratio (PER) has a positive and significant influence on the share price of persero banking companies with a coefficient value of 111.2202 and the value of the probability t-statistic is 0.0139 <alpha 0.05, so that Price Earning Ratio (PER) can be interpreted as having a positive and significant influence on the stock price of persero banks, this can be interpreted that if each increase is one-time Price Earning Ratio (PER) will cause the stock price to increase by 111.2202 thousand rupiah. These results follow research conducted by (Rahmadewi & Abundanti, 2018) and (Lestari & Ni Putu Santi Suryantini, 2019), which shows that stock prices are significantly influenced by the Price Earning Ratio (PER).

CONCLUSIONS AND RECOMMENDATIONS

Based on the regression results and discussion, it can be concluded that there is a positive and significant relationship between variable Price Earning Ratio (PER) on stock prices; this shows that investors make Price Earning Ratio (PER) as a criteria in investing or securing capital. Variable Return on Asset (ROA) has a positive but insignificant impact on shares prices and variablesDebt to Asset Ratio (DAR) has a negative and not significant impact on the shares price variable; this shows that investors do not pay much attention to the variable Return on Asset (ROA) and Debt to Asset Ratio (DAR) in investing or securing capital.

The author advises persero banks to further increase profits from the results of economic activities carried out by increasing profits; it will affect the distribution of profits for investors or investors so that it will increase the value of Price Earning Ratio (PER) this collection will be able to increase the attract of investors to invest their capital and make stock prices rise. For investors to be able to make variables Price Earning Ratio (PER) as an option or criterion in carrying out investment activities in the capital market because this variable has a positive and significant impact on stock prices.

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