

ANALYSIS THE BANK'S HEALTH LEVEL AND RETURN OF STOCK OF BANKING IN INDONESIAN STOCK EXCHANGE

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ABSTRACT

Bank is the finance institution, beside that Bank also as one of corporate sector in Indonesia, which has important role in promoting the economy system. Therefore management in banking companies which listed on Bursa Efek Indonesia (Indonesia Stock Exchange) must keep financial performance through their health level in order optimize the return of stock. This study aims to determine the effect of risk profile variables measured by the Non Performing Loan (NPL) and Loan to Deposit Ratio (LDR), Variable Earnings as measured by Return On Assets (ROA) and Cost Operational and Operating Income (BOPO) as well as the measured capital variables with Capital Adequacy Ratio (CAR) on profit growth. This research is a causal associative research. Population in the study includes 8 banking companies listed on the Indonesia Stock Exchange 2013- 2017. Sampling technique used is purposive sampling and obtained sample as much as the company. Data used in this research is a secondary data that is financial statements that meet the criteria. Data derived from financial statements obtained from Bank Indonesia (BI) which may be accessed through www.bi.go.id and www.idx.co.id. Data analysis uses multiple linear regressions. The result of the research shows that there are variables that have positive effect to return of stock is CAR variable, ROE, and BOPO variable while variable ROA and LDR have no effect on profit growth, and NPL has negative effect to Return of stock.. Ability variable independent in explaining the variation of the dependent variable equal to 57,6%, whereas the remaining 41.5% is explained by other independent variables outside the model research.

Keyword : Return of Stock, CAR, NPL, BOPO, ROA, LDR.

I. INTRODUCTION

Capital Market Activity Determines the Economy in Indonesia. Bank is an institution that acts as a financial intermediary between parties who have the funds (surplus units) with the parties that require funds (deficit units) through credit activities and various services provided, the bank serves the needs of financing as well as institutions which serve to smoothen the flow of payment traffic (Dendawijaya, 2009). Economic development brings the banking culture (banking-minded) increasingly inherent in the economic activities of the society.

All economic activities require a banking role. The role of function of the capital market consist of two function. The first, the capital market activity on business funding is to oversome

funds to some companies where funds are obtained from public funds. The second functions, as a means of investment for the community. (Martalena and Malinda 2013:3).

Investors need accurate and valid information in making investment decisions. One of the investment parameters is the annual corporate financial statements. Company's Listed on the Indonesia Stock Exchange (Bursa Efek Indonesia BEI). Each year must report financial performance to the public. The financial statements are important source of information for internal company and external party (public).

Banking as a pool of funds from economic units that are over-funded (surplus funds) and than make channeling to economic units that have a financial deficit. Banking offerings in the form of credit. This channeling function indicates that banks have a major role in the economic system of a country.

Channeling system conducted by banking requires in element of trust from the community. In order for Banking to have a level of public confidence, the banking should focus on the level of financial health. Djajid (2009) explains that purpose of the company is to increase the corporate value (banking) that is related to increasing the wealth of owner or shareholders.

Cheng and Christiawan (2011) explain about financial performance. Thought Cheng and Christiawan (2011) about financial performance is a report of financial decisions reported by the management for the purpose of the effectiveness and efficiency of the financial field. The parameters of the corporate to explain the financial performance, appear on the corporate's ability to earn a profit. The better of corporate has the ability to earn a profit, then the corporate gets a positive prospect in the future.

Banking as a mediation institution between the excess funds and the part lack of funds or require funds. In order banks to control all activities well done it takes some measure of control. Most banks are more focused on controlling bank health. According to Sinaga (2011), referring to the source of Bank Indonesia Regulation Number 6/10/PBI /2004 and Circular Letter Number 6/ 23/DPND/2004 regarding the health rating of commercial banks, explained that there are several measures that can explain the health of bank, namely Capital Asset quality, management, earning, and liquidity.

In the period of 2013 to 2017, based on information on the banking listed on the Exchange Effect Indonesia experienced a significant growth rate, but on the other hand the interest rate of bank credit has a decreased. The phenomenon of increase and decrease in these two different condition it is necessary to conduct in-depth result to determine the level of banking health by measurement of capital, asset, management, earning, and liquidity.

II. LITERATURE REVIEW

2.1. Bank

The bank is a financial institution whose business activities are collecting funds from the community and channeling the funds back to the community and providing other bank services (Kasmir, 2004). Another notion according to Kuncoro (2002), a bank of a financial institution whose main business is to raise funds and channel the funds back to the community in the form of credit and provide services. According to Bank Indonesia Regulation Number 7 of 1992 concerning banking as amended by Act Number 10 of 1998, "bank is a commercial bank

conducting conventional business activities". The bank is also known as a place to borrow money (credit) for people who need it.

The definition of banks generally can be explained and described also that the bank is a company engaged in the field of finance, meaning that banking activities are always related to financial problems. The main advantage of the banking business based on the conventional principle derived from the difference in interest on deposits granted to the deposit with the interest on the loan or credit disbursed. The advantage of interest difference in the bank is known as spread based. When a bank incurs a loss of interest difference, the deposit interest rate is greater than the loan interest rate, this term is known as a negative spre.

2.2 Corporate value

Corporate value is able to explain to investors about positive or negative perceptions. In general, high stock prices show good corporate value. The stock price determines the level of investment. Expenditures for investment contribute to a positive indication for future corporate growth, so that the increase in stock price becomes an indicator for the value of the company. The high stock price creates a rise in firm value (Brealey et al, 2007).

2.3 Return of Stock

Return of Stock in this study get from the amount of earning per share. Earning per share become the variable that investors consider to determine which shares to buy (Brigham and Houston, 2006). For good performing banks, earning per share are indicated by the return of stock yields.

2.4 Financial Health Bank

Bank soundness in Indonesia is regulated by Bank Indonesia. Bank Indonesia issued Circular Letter of Bank Indonesia Number: 6/23 / DPNP Dated May 31, 2004 which regulates the qualitative level of bank soundness and several aspects that affect bank performance. Assessment of bank soundness can be evaluated from aspect of rentability, liquidity, capital, asset quality and sensitivity to market risk. Alternatively, the assessment of bank soundness is done quantitatively and qualitatively after considering the judgment element based on conditions in the banking industry and national economic condition.

The health condition of a bank can be known by CAMEL analysis (Capital, Asset, Management, Earning, Liquidity). This is in accordance with Bank Indonesia Circular Letter No.6 / 23 / DPNP dated May 31, 2004.

2.5 Capital, Asset, Management, Earning, Liquidity for Banking

The assessment method according Kasmir is to determine the soundness of banks can be done by CAMEL method. This method aims to know and explain about banks that can be categorized healthy, healthy enough, less healthy or unhealthy. Determining the health rating of banks in Indonesia has been determined by Bank Indonesia based on Circular Letter No.6 / 23 / DPNP dated May 31, 2004 consisting of:

2.5.1 Capital Assessment

CAR (Capital Adequacy Ratio) is a bank performance ratio that measures the level of capital adequacy to support assets that contain a risk, for example the risk in lending

(Dendawijaya, 2009). The recommended size to meet the CAR is 8% (source: BIS, Bank for International Settlement). CAR is used to control capital in a bank.

$$\text{CAR Formula:} = \frac{\text{Capital}}{\text{Risk weighted Asset}} \times 100\%$$

2.5.2 Asset Assessment

NPL (Non Performing Loan) according to Mahmoeddin (2010) is a measurement for non-performing loans in a bank, which explains loans that have difficulty repayment as a result of intentional factors and / or external factors that can not be controlled by the debtor. Based on health rating criteria, the determination of NPL ratio determined by Bank Indonesia is maximum is 5%. If it exceeds the 5% provision, the bank shall be designated as a bank under intensive supervision by Bank Indonesia as the regulator of all banks in Indonesia. NPL are used to determine the quality of a bank's assets.

$$\text{NPL Formula:} = \frac{\text{Bad Debt}}{\text{Total Loan}} \times 100 \%$$

2.5.3 Management Assessment

BOPO is easier in explaining about the efficiency level of a bank's operational activities associated with bank performance. BOPO ratio criteria determined by Bank Indonesia as the banking regulator in Indonesia is the ratio of BOPO $\leq 93,25$ (Bank Indonesia Circular Letter No.30 / 2 / UPPB). If the ratio value BOPO $\leq 93,25$, then the bank in the healthy category. BOPO an abbreviation used by banks in Indonesia to determine the effectiveness of management at a bank.

$$\text{BOPO Formula:} = \frac{\text{Operating Expense}}{\text{Operating Revenue}} \times 100 \%$$

Operational Expense to Operating Revenue, in Indonesia abbreviated BOPO explains the ratio of the ratio between the operational costs of a bank and the operating income of a bank.

2.5.4 Earning Assessment.

The ratio of Return On Assets (ROA) according Kasmir is a ratio that shows the level of return of the amount of assets owned by a bank that operationized. In addition, ROA describes the level of the bank's ability to profit and explain about the effectiveness of asset management of a bank in the purpose of earning profit. The value of ROA close to one hundred percent is a good percentage value.

$$\text{ROA Formula :} = \frac{\text{Earning After Tax}}{\text{Total Asset}} \times 100\%$$

Return On Equity Ratio is a ratio that shows the level of return of the amount of equity by a bank that operationized. ROE describes the level of the bank's ability to profit and explain about the effectiveness of Equity management of a bank in the purpose of earning profit. The value of ROE close to one hundred percent is a good percentage value.

$$\text{ROE Formula :} = \frac{\text{Earning After Tax}}{\text{Total Equity}} \times 100 \%$$

2.5.5 Liquidity

Loan to Deposit Ratio/Finance to Deposit used as liquidity proxy in measuring bank's ability discharge loan and pay out depositor and fulfil their application for debt. It can be say

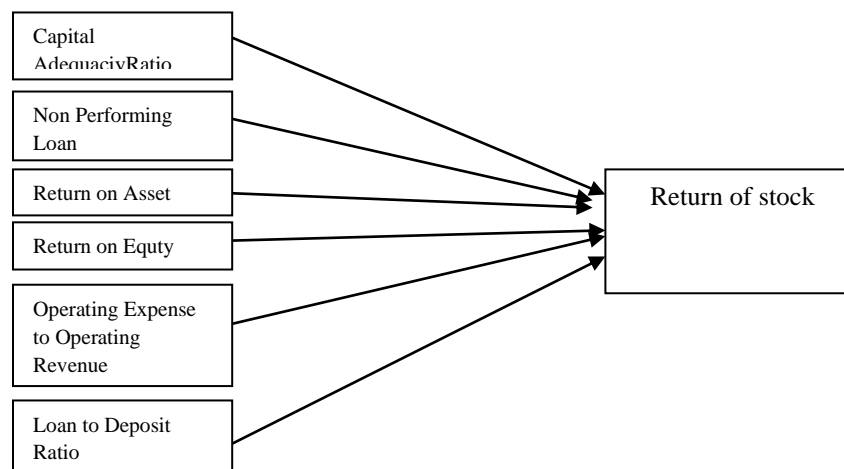
how bank give loan to depositor to balancing liability, to payout deposit whenever if it take back meanwhile bank give the fund as debt. According Surat Edaran BI No. 3/30/DPNP on December 14 2001, LDR/FDR measure with loan to deposit from third party.

$$\text{LDR/FDR Formula} : = \frac{\text{Total Loan}}{\text{Total Deposit}} \times 100 \%$$

III. RESEARCH CONCEPT FRAMEWORK

The financial performance of banks can be analyzed from the financial condition of banks in certain periods for fund raising activities and fund disbursements. This study examines Capital Adequacy Ratio (CAR), Non Performing Loan (NPL)/Non Performing Finance (NPF) ratio, Return On Assets (ROA), Return On Equiti (ROE) and Operational Income Operating Cost (BOPO) Loan to Deposit Ratio (LDR/FDR). The ratio to determine the status of the bank under study whether in the healthy category, healthy enough, less healthy or unhealthy. Thereafter, analysis results are combined with Return of Stock for stakeholder or investor or regulatory decisions for investment decisions. Details for relation shows as in Figure 1.

Figure 1. Conceptual framework



Based on Figure 1, the hypothesis formulation is Capital Adequacy Ratio (CAR), Non Performing Loan (NPL), , Return On Assets (ROA), Return On Equiti (ROE) Operational Expense to Operating Revenue (BOPO), Loan to Deposit Ratio (LDR)/Finance to Deposit (FDR) for banking in Indonesia Stock Exchange.

IV. RESEARCH METHODS

This study uses secondary data ie banking financial data. Determined ten banks that have the largest amount of assets in 2017 then conducted backward analysis until 2013. Considering the Capital, Asset, Management ,Earning, Liquidity and Return of Stock methods then the method of determining the sample of this study is purposive. Secondary data were obtained from data base authorities from 2013 to 2017 in the Indonesia Stock Exchange (IDX), Bank Indonesia (BI) and the Indonesian Capital Market Directory (ICMD).

The analysis of influence between variables using multiple linear regression techniques, namely the analysis of the effect of Capital Adequacy Ratio (CAR), Non Performing Loan (NPL)/ Non Performing Finance (NPF), Operational Income Operating Cost (ROA), Return On Assets (ROA), Return On Equiti (ROE), Operating Expense to Operating Revenue (BOPO) and Loan to Deposit Ratio (LDR)/Finance to Deposit Ratio (FDR) to Return of Stock. Data processing assisted by SPSS 23.

V. RESULTS AND DISCUSSION

Result the regression can be obtain from table below.

Table 1. Regression results

		Coefficients ^a					Collinearity Statistics	
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance	VIF
		B	Std. Error	Beta				
1	(Constant)	-31702.083	43959.493		-.721	.476		
	X1=CAR	1438.392	406.258	.542	3.541	.001	.548	1.825
	X2=NPL	-4397.920	1982.614	-.376	-2.218	.034	.448	2.233
	X3=ROA	-204.414	868.383	-.042	-.235	.815	.408	2.453
	X4=ROE	106.676	306.739	.077	.348	.730	.262	3.816
	X5=BOPO	568.205	322.446	.518	1.762	.087	.149	6.720
	X6=LDR	-347.710	452.963	-.108	-.768	.448	.650	1.538

a. Dependent Variable: Y= Return of Stock

The regression equation model explains the effect of CAR, NPL, BOPO, ROA, and LDR on Return of Stock is as follows:

$$Y = - 31.702,083 + 1.438,392\text{CAR} - 4.397,92 \text{ NPL} - 204,414 \text{ BOPO} + 106,676 \text{ ROA} + 568,205 \text{ ROE} - 347,710 \text{ LDR}$$

The NPL, BOPO and LDR coefficients show a negative influence to Return of Stock , whereas for CAR, ROA, and ROE show a positive relationship to Return of Stock. The value of this statistical coefficient indicates that the fixed effect model is able to explain the behavior of the ten banks studied.

The value of R-squared 0,576 means that CAR, NPL, ROA, ROE, BOPO and LDR variables are able to explain the variation of Return of Stock of 57,6 % and the rest of 42,4 % is explained by other un-researched variables. Value of 57,6 % > of the cut of value (50%), this

comparison indicates that CAR, NPL, ROA, ROE, BOPO, and LDR have a good accuracy level to predict and explain the Return of Stock conditions of the eight banks studied.

Table 2. F test

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5097638798.463	6	849606466.411	7.463	.000 ^b
	Residual	3756641368.418	33	113837617.225		
	Total	8854280166.881	39			

a. Dependent Variable: Y= Return of Stock

b. Predictors: (Constant), X6=LDR, X3=ROA, X4=ROE, X2=NPL, X1=CAR, X5=BOPO

Based on Table 2, the F value $7,463 > F$ table 2,42. This comparison shows that CAR, NPL, ROA, ROE, BOPO and LDR have a significant simultaneous effect on Return of Stock. So the formulated research hypothesis is tested. This study found that any changes that occur in CAR, NPL, BOPO, ROA, and LDR simultaneously affect the RETURN OF STOCK or share value of each banking.

Table 3. t Test

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-31702.083	43959.493		-.721	.476
	X1=CAR	1438.392	406.258	.542	3.541	.001
	X2=NPL	-4397.920	1982.614	-.376	-2.218	.034
	X3=ROA	-204.414	868.383	-.042	-.235	.815
	X4=ROE	106.676	306.739	.077	.348	.730
	X5=BOPO	568.205	322.446	.518	1.762	.087
	X6=LDR	-347.710	452.963	-.108	-.768	.448

a. Dependent Variable: Y= Return of Stock

Table 3 shows the results of t test testing the individual effects between CAR, NPL, ROA, ROE, BOPO, LDR and Return of Stock . Description of explanation one by one explained as follows:

a. Capital Adequacy Ratio (CAR)

Capital Adequacy Ratio (CAR) has significant positif effect on Return of Stock shown by t value $3,542 > 2,032$ this condition show significant effect of CAT to Return on Stock. The more banks acquire the funds from the community, creating an adequate amount of bank funds to carry out operational activities such as lending, and other operational activities that impact on bank income. CAR has significant effect on Return of Stock due to high market value,

b. Non Performing Loan (NPL)/Non Performing Finance (NPF)

Non Performing Loan (NPL)/(NPF) has significant negative effect on Return of Stock shown by t value $-2,218 < -2,032$. This comparison explains that any decrease in NPL ratio has effect impact on Return of stock. Investors have an assumption that the higher the NPL will lower the Return of Stock.

c. *Return On Asset (ROA)*

The t test shows that ROA has t value $-0,235 > -2,032$ this means that Return On Assets (ROA) have no significant of negative effect on Return of Stock . The negative ROA indicates that the lower the bank asset return (ROA), the higher the return of stock will obtain the owner of stock. High profits resulted in an increase in the Bank's share price.

d. *Return On Equity (ROE)*

The t test shows that ROE has t value $0,235 < 1,690$ this means that Return On Equity (ROE) has no significant positif effect on Return of Stock . The positive ROE indicates that the positive the bank higher equity return (ROE), the higher the return of stock will obtain the owner of stock. High profits resulted in an increase in the Bank's share price.

e. *Operational Cost of Operating Income (BOPO)*

Operational Expense of Operating Revenue (BOPO) has a significant positive effect on Return of Stock shown by t value $1,762 > 1,690$, this means Operational Expene to Operating Revenue (BOPO) has significant positive effect on increasing Return of Stock . Positive value of BOPO ratio explains the bank under study has a good level of efficiency in carrying out operational activities.

f. *Loan to Deposit Ratio (LDR)/Finance to Deposit Ratio*

Loan to Deposit Ratio (LDR) has a significant negative effect on Return of Stock indicated by the level of $-0,768 > -2,032$, meaning that Loan to Deposit Ratio (LDR) negatively affects Return of Stock . These findings indicate that the lower Loan give higher Return of Stock High LDR ratios are followed by a high distribution of credit amounts even though the disbursed credit will add bank profits.

Table 4. Determination coefficient test (R²)

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.759 ^a	.576	.499	10669.471272	1.397

a. Predictors: (Constant), X₆=LDR, X₃=ROA, X₄=ROE, X₂=NPL, X₁=CAR, X₅=BOPO

b. Dependent Variable: Y= Return of Stock

Table 4 show The value of R-squared 0,576 means that CAR, NPL, ROA, ROE, BOPO and LDR variables are able to explain the variation of Return of Stock of 57,6 % and the rest of 42,4 % is explained by other un-researched variables. Value of 57,6 % > of the cut of value (50%), this comparison indicates that CAR, NPL, ROA, ROE, BOPO, and LDR have a good accuracy level to predict and explain the Return of Stock conditions of the eight banks studied.

VI. CONCLUSION

Eight banks studied in the period 2013 to 2017 obtained some research findings include (1) CAR has positive effect to Return of Stock with the factor is the level of public trust to the bank considered. (2) NPL/NPF have negative impact on Return of Stock. This is because most banks have problems in lending. People who use Bank credit mostly have problems in the business sector. The macroeconomic situation is causing nonperforming loans. Entrepreneurs are interested in offering banks with low interest rates, but do not consider the economic conditions in aggregate. (3) ROA has negative impact on increasing Return of Stock. The higher rate of return on bank assets has an impact on bank profits and bank value. (4)ROE has positif impact on increasing Return of Stock. The higher rate of return on bank assets has an impact on bank profits and bank value . (5) BOPO has a positive impact on Return . Operating expense for obtaining an effective bank income have been done by ten banks under study to maintain the Return of Stock. (6) LDR has a negative impact on Return of Stock, in the period of the study showed that the eight banks under study experienced a situation of low of loan or credit that given, thus impacting the decrease of Return of Stock.

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