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Stock Price Impact of Non-Performing Loans, Return on Assets and Earning per Share

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ABSTRACT---*This study aims to determine the effect of Non-Performing Loans, Return On Assets, Earning Per Share on Stock Prices in the Banking sector listed on the Indonesia Stock Exchange in the period 2013-2017. The research method used is descriptive and verification methods. The population of this study amounted to 43 banks, while the study sample used the purposive sampling technique of 31 banks. Data analysis using panel data regression analysis. The results of the study simultaneously showed that Non-Performing Loans, Return On Assets, Earning Per Share affect the Stock Price. The research results partially show that Return On Assets have a positive effect on Stock Prices, while Non-Performing Loans and Earning Per Share are not significant on Stock Prices*

Keyword---*Non Performing Loan, Return On Assets, Earning Per Share and Stock Price*

I. Introduction

High and low stock prices is important to note by market participants because stock prices are one indicator of the company's success that shows the company's credibility. Stock prices can attract investors to invest capital in a company, high transactions and investor interest make a volatile capital market and spur companies to maximize their performance better, one of which is the banking sector. Article 4 / Law No 10/1998 explains: Indonesian banking aims to support the implementation of national development in order to improve equity, economic growth, and national stability towards improving the welfare of the people at large. The banking sector is a central sector because in the era of globalization many customers and companies use banks as a medium to raise funds and funding. The bank is a safe investment because it becomes the trust of customers, companies and other individuals as an investment vehicle to return funds to the public (Saudi, 2018). The Bank is trying to maximize its performance, so that public confidence is maintained which results in rising bank stock prices. Jayden Vantarakis, a CLSA Indonesia analyst in his research stated that the banking sector is experiencing an unsatisfactory performance due to the fact that the majority of banks only have an average corporate loan of 45 percent (bareksa.com). In 2016 there was a decline in the turbulent world markets due to the election of Donald Thrump as US President. President Director of the Indonesia Stock Exchange, Tito Sulistio, Managing Director of the Indonesia Stock Exchange, said that banking shares were first affected because of market players' speculation about the increase in the US Fed Fund Rate, as a result many foreign investors withdrew their funds and deposited them in the US. The decline in stock prices occurs because there is a level of bad loans, to analyze bad loans, can use the Non Performing Loan ratio that compares bad loans with bank loans. This is a consideration for investors to invest in shares, the higher the Non Performing Loan ratio will affect earnings, the consequence is that banking performance will decline and public confidence in banks will decline. Therefore banks must manage their resources properly, one of them is managing assets.

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The bank is a service company that has to maximize its assets to make a profit, one of which is to analyze the ratio using the calculation of Return On Assets by comparing earnings before tax with total assets. Earning Per Share shows information on the amount of profit distributed to shareholders in the form of dividends. according to theory, the higher this ratio the higher the stock price. Return on Assets and Earning Per Share experienced a significant decline, it was caused in 2015 there was a decline in profit of about 2.3% -2.5% compared to the previous year. In 2016 there was a global economic downturn, which affected one of the banks known as the red plate, namely Bank Mandiri, the profit earned fell by 32.1% from Rp20.3 trillion in 2015 to Rp13.8 trillion in 2016. Indry Astuty's research results (2013) stated simultaneously CAR, Non Performing Loan, Return on Assets and LDR affect the stock price. partially Non Performing Loan, Return on Assets and LDR have an effect on stock prices while CAR does not affect stock prices. Widya Novita Devi's research results (2016) stated Return on Assets, Return on Equity, LDR, CAR, Non Performing Loan and Earning Per Share have a simultaneous effect on stock prices. Partially Return on Equity, LDR, and CAR have a positive and significant effect on stock prices, while Return on Assets, Non Performing Loans and Earning Per Share have no effect and are not significant on stock prices. Research Results Evan Andreanto Wibowo (2014) found that, Return on Equity, and Earning per Share simultaneously had a significant effect on stock prices. Partially Return on Assets and Return on Equity have no significant effect on stock prices, while Earning per Share has a significant effect on stock prices. Alysa Amadhea Astary's research results (2015) in different sectors found that Asset Returns, Equity Returns, Net Profit Margin, Earnings Per Share have a significant effect on stock prices. Partially Return on Assets affect the stock price while Return on Assets, Net Profit Margin and Earning Per Share do not affect the stock price.

II. Literature Review

Kasmir (2013: 155) states Non-Performing Loans are non-performing loans or bad loans are loans in which there are obstacles caused by 2 elements namely from the bank in analyzing or from the customer who intentionally or unintentionally in his obligation not to make payments. Bad loans will cause Non-Performing Loans to rise, the impact will affect investors in investing, because high Non-Performing Loans will be risky for an investor, thus investors do not have confidence in banks. then it can be concluded that NPL has a negative effect on stock prices. This is supported by research by Indry Astuty (2013) and Ninky Martanorika (2018) which states that Non-Performing Loans affect stock prices. Research by Widya (2016) and Edwin (2017) shows that Non Performing Loans have no effect on stock prices. Giving credit without analysis will be very dangerous for the bank. Customers in this case sometimes provide fictitious data, so it might be that credit is actually not feasible, but it is still given. Then if the analysis is wrong, then the actual disbursed credit becomes feasible so that it will result in being difficult to be billed or defaulted. Kasmir (2013: 155) argues that Non-Performing Loans are non-performing loans or bad loans are loans in which there are obstacles caused by 2 elements, namely from the banking sector in analyzing or from the customer who intentionally or unintentionally in his obligation not to make payments. Herman Darmawi (2011: 16) states that Non-Performing Loans are one measurement of the bank's business risk ratio which shows the magnitude of the risk of non-performing loans that exist in a bank. Nonperforming loans are caused by uneasy payment of loan principal and interest which can directly reduce bank performance and cause banks to become inefficient. Banks in channeling credit or funds must conduct an analysis of the debtor's ability to pay back his obligations. After credit is given the bank has the right to monitor the use of credit and the ability of debtors to meet their obligations, banking practitioners agree that the safe limit of a bank's Non Performing Loan must not exceed 5%.

Kasmir (2012: 202) states Return On Assets is a ratio that shows the results on the number of assets used in the company or the size of management activities. Sutrisno (2013: 222), states Return On Assets is the company's ability to generate profits with all assets owned by the company. Return On Assets is a ratio that shows the results (return) on the amount of assets used in the company or a measure of management activities (Kasmir; 2012: 202) the higher this ratio indicates that the company has maximized their assets in other words companies make efficiency to produce profit. High profit investors will be attracted because the possibility of greater returns, Return On Assets affect the stock price. According to Bank Indonesia, Return On Assets is the ratio of profit before tax to total assets for a certain period. This ratio can measure the health of banks. This is supported by research by Novia (2017) and Alysa (2015) which states that Return On Assets affect stock prices. Meanwhile according to Widya (2016) and Evan (2014) shows that Return On Assets has no effect on stock prices. In this ratio we can assess the health of banks in managing their assets efficiently, the higher the return on assets the better.

Fahmi states (2012: 96) Earning Per Share is a form of giving benefits provided to shareholders from each share owned. Kasmir (2012: 207) states Earning Per Share is the ratio of earnings per share or also called the book value ratio is a ratio to measure the success of management in achieving profits for shareholders. A low ratio means that management has not succeeded in satisfying shareholders. Conversely, with a high ratio, the welfare of shareholders increases, which means a high rate of return. Earning Per Share is the ratio of earnings per share or also called the book value ratio is a ratio to measure the success of management in achieving profits for shareholders. the higher this ratio, it can be said that banks provide high returns to investors (Kasmir; 2012: 207). High Earning Per Share makes investors interested in investing and makes stock prices higher. Earning Per Share relationship has a positive effect on stock prices. This is supported by research by Dian Fordian (2017) and Novia Kasyaretta (2017) which states that Earning Per Share affects stock prices. however, this study contradicts the study of Widya (2016) and Alysa (2015) which states that Earning Per Share has no effect on stock prices.

Hypothesis

H1: Non Performing Loans, Return On Assets and Earning Per Share affect the Stock Price

H2: Non Performing Loans affect Stock Prices

H3: Return on assets affects the stock price

H4: Earning Per Share affects the Stock Price

III. Research Methods

This research uses descriptive and verification methods. Descriptive method is used to describe the formulation of the first problem and the second problem. The data needed is data in accordance with existing problems and in accordance with the objectives of the study, so that the data will be collected, analyzed and processed in accordance with the theory being studied and drawn conclusions. Verification method (Sugiyono; 2015: 36) is a research method that aims to find out the relationship between two or more variables, as well as the method used to test the truth of a hypothesis.

Sample Selection Criteria:

1. Banking companies listed on the IDX during the 2013-2017 period

2. Companies that issue complete financial statements in the period 2013-2017
3. Companies that include a complete Non Performing Loan, Return On Assets, Earning Per Share and Share Prices in the 2013-2017 period

Results And Discussion Research

Linear Data Panel Regression Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.560071	0.301284	21.77373	0.0000
NPL	-0.003829	0.037641	-0.101735	0.9192
ROA	0.165819	0.083512	1.985568	0.0498
EPS	-0.032892	0.072695	-0.452468	0.6519

Figure 1: Panel Data Regression

Y = 6,560071 – 0,003829 X1 + 0,165819 X2 – 0,032892 X3 + ε

a. A constant of 6.56007; meaning that if the Non Performing Loans, ROA, Earning Per Share value is 0, then the stock price index is worth 6.56007
b. Non Performing Loans variable regression coefficient of -0.003829; meaning that if the other independent variables (Return On Assets and Earning Per Share) value is fixed and Non Performing Loans is 1, then the share price will decrease by -0.003829.
c. ROA variable regression coefficient of 0.165819; This means that if other independent variables (Non Performing Loans and Earning Per Share) value is fixed and Return On Assets is 1, the stock price will increase by 0.165819.
d. Earning Per Share variable regression coefficient of -0.032892; This means that if the other independent variables (Non Performing Loans and Return On Assets) value is fixed and Earning Per Share is 1, then the share price will decrease by -0.032892.

Chow Test

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	31.065521	(30,99)	0.0000
Cross-section Chi-square	321.008988	30	0.0000

Figure 2: Chow Test

Based on Figure 2 Prob 0.00 (<0.05), the selected model is the Fixed Effect model.

Hausmann Test

Correlated Random Effects – Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	31.326985	3	0.0000

Figure 3: Hausmann Test

Based on Figure 5 with Prob. 0.00 (<0.05), the selected model is the fixed effect model.

Hypothesis Testing

Influence Between Variables

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.560071	0.301284	21.77373	0.0000
NPL	-0.003829	0.037641	-0.101735	0.9192
ROA	0.165819	0.083512	1.985568	0.0498
EPS	-0.032892	0.072695	-0.452468	0.6519

Figure 4: Variable Coefficient

The influence between studies can be obtained through the coefficients obtained from the estimated parameters:

a. The coefficient on the NPL variable is -0.003829 with a prob of 0.9192 (> 0.05). The Negative Coefficient shows that the influence between the NPL variable and the Negative stock price, meaning that if the NPL variable increases, the Share Price decreases, the conclusion H0 is accepted.

b. Return On Assets variable is 0.165819 with a prob of 0.0498 (<0.05). The positive coefficient indicates that the effect between the Return On Assets variable and the positive stock price, meaning that if Return On Assets increases, the stock price increases, the conclusion of H1 can be accepted.

c. EPS variable of -0.032892 with a prob of 0.6519 (> 0.05). The Negative Coefficient shows the effect between the Earning Per Share variable and the Negative stock price, meaning that if the Earning Per Share variable increases then the Stock Price decreases, the conclusion H0 is accepted.

Analysis of Determination Coefficient

R-squared	0.964178	Mean dependent var	6.717664
Adjusted R-squared	0.950790	S.D. dependent var	1.442158
S.E. of regression	0.319919	Akaike info criterion	0.788389
Sum squared resid	10.13250	Schwarz criterion	1.598310
Log likelihood	-16.00463	Hannan-Quinn criter.	1.117521
F-statistic	72.01758	Durbin-Watson stat	1.533976
Prob(F-statistic)	0.000000		

Figure 5: Determination Test

Figure 5 shows the magnitude of the coefficient of determination that serves to determine the magnitude of the dependent variable that can be explained by the independent variable. The coefficient of determination can be seen from the R-Square value. R-Square shows the number 0.964178 or 96.41% that number means 96.41% of the share price that can be explained by the Return On Asset, Earning Per Share and NPL variables. While the remaining 3.59% was received by other factors.

Simultaneous Significance Test (F Test)

The F statistical test basically shows whether all independent variables included in the model have a joint or simultaneous influence on the dependent variable (Ghozali, 2013: 98).

R-squared	0.964178	Mean dependent var	6.717664
Adjusted R-squared	0.950790	S.D. dependent var	1.442158
S.E. of regression	0.319919	Akaike info criterion	0.788389
Sum squared resid	10.13250	Schwarz criterion	1.598310
Log likelihood	-16.00463	Hannan-Quinn criter.	1.117521
F-statistic	72.01758	Durbin-Watson stat	1.533976
Prob(F-statistic)	0.000000		

Figure 6: F Test

The F Test results can be seen from the above table that it can be obtained that the prob 0.0000 0.5 then it can be said that the NPL variable, Return On Assets, EPS jointly affect the stock price.

Partial Significance Test (t Test)

The influence of NPL, Return On Assets, Earning Per Share on Stock Prices can then be tested the hypothesis of the influence of each independent variable with the t test. Statistical t test aims to see the level of partial significance of each independent variable in explaining the dependent variable.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.560071	0.301284	21.77373	0.0000
NPL	-0.003829	0.037641	-0.101735	0.9192
ROA	0.165819	0.083512	1.985568	0.0498
EPS	-0.032892	0.072695	-0.452468	0.6519

Figure 7: t Test

IV. Discussion

1. Non Performing Loans to Share Prices in the Banking sector which are listed on the Indonesia Stock Exchange for the period 2013-2017

Based on the t test results obtained prob 0.9192> 0.05 and t arithmetic <t table, this means that H0 is accepted, meaning that the Non Performing Loan has no effect on stock prices.The results of this study are not in line with the results of the research of Mohamad Reeza (2013) and Indry Astuty (2013) who say that NPL has an effect on stock prices. This research is in line with the results of Widya (2016), Sandro, Murni & Johan (2016) and Edwin (2017) research which states that Non Perfoming Loans have no effect on stock prices. This is because the banking sector has not been able to reduce credit risk, thereby increasing operational costs which will reduce the company's revenue thereby bringing down the impact of company stock prices.

2. The Effect of Return On Assets on Stock Prices in the Banking sector listed on the Indonesia Stock Exchange in the period 2013-2017

The results of the study stated that the Return on Assets is positive and significant towards the Share Prices of financial sector companies on the Indonesia Stock Exchange in 2013-2017. The results of this study are in accordance with the results of research presented by A.A Mahadewi & Candraningrat (2014), Diah Purnamasari, Elva & Astuti (2017), Novia Kasyaretta (2017) and Alysa (2015) who ask about Return on Assets with an influence to seek. These results are not in line with research by Evan Andreanto Wibowo (2014), Widya Novita Devi (2016) & Edwin Asrori (2017). The greater Return On Assets means the company is more productive and more effective in using its assets to generate profits, increasing profits will also increase returns to investors. This will increase the attractiveness of investors to invest in the company so that the company's stock price will increase.

3. Effect of Earning Per Share on Share Prices in the Banking sector listed on the Indonesia Stock Exchange in the period 2013-2017.

T test results obtained prob 0.6519> 0.05 and t arithmetic <t table, this means that H0 is accepted, meaning that Earning Per Share has no effect on stock prices. The results of this study are not in line with the results of research Evan (2014), Dian (2017) and Novia (2017) which states that Earning Per Share influence on stock prices. This study is in line with the results of research by Alysa (2015), Imelda (2016) and Widya (2016) which states that Earning Per Share has no effect on stock prices. This means that an investor no longer sees Earning Per Share as a benchmark as an investment decision made by an investor.

V. Conclusion

1. Simultaneous Research Results of Non Perfoming Loans, Return On Assets, Earnings Per Share, Related to the Stock Prices of the Related Banking Sector on the Indonesia Stock Exchange Period 2013-2017
2. Non Perfoming Loan has no effect on stock prices in the Banking Sector which are listed on the Indonesia Stock Exchange for the 2013-2017 Period.
3. Earning Per Share has no effect on stock prices in the Banking Sector which are listed on the Indonesia Stock Exchange for the 2013-2017 Period
4. Return On Assets affect stock prices in the Banking Sector which are listed on the Indonesia Stock Exchange for the 2013-2017 Period

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