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# The Effect of Measuring Return on Assets, Return on Equity, and Operating Income Operating Expense on the Stock Price of Private Mini Bank Companies in 2017-2021

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## Abstract

The purpose of this study is to determine the profitability ratio of privet mini bank companies in book 2 bank for the 2017-2021 period. This research was conducted on 27 privet mini-bank companies listed on the Indonesian Stock Exchange for the 2017-2021 period. The data used is secondary data in the form of financial statements. The analysis technique uses multiple linear regression with three independent variables, Return on Asset, Return on Equity and Operating Income Operating Expanse, against the dependent variable of the stock price to test the variable influencing the company's share price. The research results on private mini bank companies show that stock price movements are not affected and are negative and not significant by Return on Equity in private mini bank companies. This study found that private mini bank companies increasing or decreasing the value of Return on Asset and Operating Income Operating Expenses had a significant and significant effect on the share price of private mini bank companies.

**Keywords:**
Operating Expenses, Operating Income, Return on Asset, Return on Equity, Stock price.

## 1. Introduction

In the modern era of 4.0, there are many companies that do their business globally, due to sharp competition in the banking industry that continues to grow, especially in bank companies that have gone public. So that each of these companies must have a market share on local exchanges or world exchanges. a good financial performance, a banking company must be considered in its Profitability, Solvency and Liquidity. Almost all banks in Indonesia carry out digital banks, both persero and private commercial bank companies, which are designed to make it easier for customers and investors to make transactions. In this study using BUKU 2, it is a bank that has a core capital of 1 trillion to 5 trillion and carries out activities in rupiah or foreign exchange.

The stock price can rise or fall due to internal factors as well as external factors, the stock price must be re-examined by investors who are going to buy shares because stock prices tend to fluctuate. The profitability ratio is used by companies to measure, assess profit developments and compare from previous and present profit results where the profit was obtained by the company from a certain time (Kasmir, 2020). The greater the Return on Assets, the more efficient the use of company assets or in other words, the amount of assets generated by a greater profit. Return On Equity The higher this ratio means that the more efficient the use of own capital carried out by the company's management. If Operating Income Operating Expense increase, it shows that the company cannot process the operating income of the company, investors and banking institutions as creditors will assess financial performance through financial ratios (Dr.Harmono, S.E., 2020).

So, to measure good financial performance, you can use the return on asset (ROA) as an indicator of the company's decision to invest in the capital market because this ratio considers assets and profitability in sales in a company. Return On Equity (ROE) is a rate of return on investment, this ratio can attract shareholders because it is an important indicator because the higher the ROE the better the value of the company. Operating Income Operating Expenses (BOPO) are used in the calculation of stock prices to measure the efficiency and ability of private mini-banks to carry out their operations.

## 2. Literature Review and Hypotheses

### 2.1. Return on Asset (X1)

Shows the company's ability to use all assets owned to make a profit after tax. This ratio is important for management to evaluate the effectiveness and efficiency of company management in managing all company assets. The greater the ROA, the more efficient the use of company assets (Hantono, 2017).

Formula: $ROA = \frac{Earning\ After\ Interest\ and\ Tax}{Asset}$

### 2.2. Return on Equity (X2)

ROE is a return on equity used to measure net profit after tax with equity. This ratio is important for shareholders to find out the effectiveness and efficiency of own capital management carried out by the company's management, the higher this ratio means that the more efficient the use of own capital carried out by the company's management (Hantono, 2017).

Formula: $ROE = \frac{\text{Earning After Interest and Tax}}{\text{Equity}}$

### 2.3. Operating Income Operating Expanse (X3)

Operating Income Operating Expenses (BOPO) compare operating expenses with the company's operating income. Also often called the efficiency ratio is used to measure the ability of bank management to control operating income compared to operating profit. If the value of BOPO increases, it shows that the company cannot process the company's operational costs (Rivai, 2013).

Formula: $BOPO = \frac{Operating\ Expenses}{Operating\ Income}$

### 2.4. Stock Price (Y)

The stock price cannot be fixed, but always moving where every second and minute always moves according to economic conditions. Which is influenced by internal and external factors (Dr. Musdalifah Azis, S.E., 2017).

Formula: $Stock\ Price = \frac{current\ stock\ price - previous\ stock\ price}{previous\ stock\ price}$

## 3. Framework of Thinking

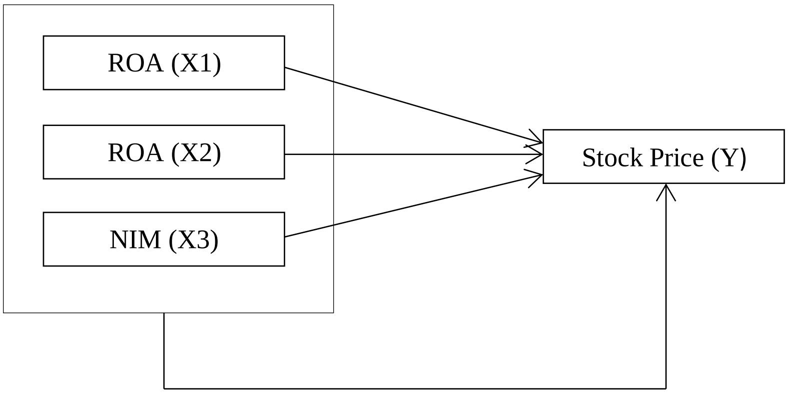


Figure 1. Framework of Thinking

Description:
Partially :
Simultan :

## 4. Hypothesis

Based on the background and formulation of the problem that has been put forward, the hypothesis can be formulated as follows:

1. H1 = Return on Asset (ROA) has a partial positive and significant effect on the share price of a private mini-bank.
2. H2 = Return on Equity (ROE) as if it has a partial positive and significant effect on the share price of a private mini-bank.
3. H3 = Operating Income Operating Expenses (BOPO) partially affect the share price of private mini-banks.
4. H4 = Return on Asset (ROA), Return on Equity (ROE), and Operating Income Operating Expenses (BOPO) simultaneously affect the share price of private mini-banks.

### 5. Methods

Based on the type, it is grouped into two, namely qualitative research and quantitative research (Sugiyono, 2015). In this study, researchers used quantitative research where quantitative data produced figures and facts taken from the collection of interpretation data on the data were used so that the answer results from the data would not deviate. This research uses a population of 27 national private banking companies in 2027-2021, which are recorded in book 2 with a capital of 1 trillion to 5 trillion. Which is registered with the Financial Services

Authority (OJK) www.ojk.co.id and the Indonesia Stock Exchange www.idx.co.id. In this study, the following criteria are used:

1. The companies used in this research are private mini-bank companies listed on the Indonesia Stock Exchange (IDX) and the Financial Services Authority (OJK) from 2017-2021.
2. Banking companies that experienced an increase in stock prices in 2021.
3. Registered private banking companies publish or report annual financial statements during the period 2017-2021.

Table 1. Methods

| No. | Stock Code | Bank Name |
|---|---|---|
| 1 | BABP | MNC Bank International Tbk. |
| 2 | BINA | Bank Ina Perdana Tbk. |
| 3 | BGTG | Bank Ganesha Tbk. |
| 4 | BNBA | Bank Bumi Artha Tbk. |
| 5 | BMAS | Bank Maspion Indonesian Tbk. |
| 6 | DNAR | Bank Oke Indonesian Tbk. |

Researchers use secondary data that is not taken directly, So, based on these criteria, there are 6 companies that are eligible to be sampled. So that the data from the sample amounted to 6×5 years = 30 samples. The source of this research data is sourced from the acquisition of the company's annual financial statements or annual reports listed on the Indonesia Stock Exchange www.idx.co.id and the official website of each bank in 2017-2021. Stock price data is taken from the closing price. The analysis method used in this study is a multiple linear regression analysis with a t-test and an F test.

## 6. Results and Discussion

### 6.1. Multiple Linear Regression

Multiple linear regression is the forecasting of the value of the influence between two or more free variables on bound variables, which is used to prove the presence or absence of a functional relationship or claustrophobic relationship (cause and effect) between two or more free variables.

Table 2. Multiple Linear Regression
Coefficients[a]

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 103.182 | 176.209 | | .586 | .563 |
| | ROA | 1245.407 | 288.602 | 1.967 | 4.315 | .000 |
| | ROE | -95.880 | 71.910 | -1.163 | -1.333 | .194 |
| | BOPO | -423.193 | 103.520 | -8.158 | -4.088 | .000 |

a. Dependent Variable: Stock Price

Equation:
$Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + e$
$Y = 103{,}182 + 1{,}967X1 - 1{,}163X2 - 8{,}158X3$

Information:

a. A constant value (α) of 103,182 means that if the regression coefficients of the variables Return on Asset, Return on Equity, and Operating Income Operating Expenses are constant or zero, then the share price will increase by 103,182.
b. The regression coefficient of Return on Asset with a positive value of 1.967 means that if the value of Return on Asset increases by 1 unit, it will increase the stock price of the banking company by 1.967 units, provided that the variable Return on Equity and Operating Income Operating Expenses are considered constant.
c. The Regression coefficient of Return on Equity is negative by -1.163, meaning that if the Return on Equity increases by 1 unit, it will reduce the Share Price of the banking company by 1.163 units, provided that the variable Return on Assets and Operating Income Operating Expenses are considered constants.

d. The regression coefficient of Operating Income Operating Expenses is negative by -8,158, meaning that if the Operating Income Operating Expenses (BOPO) increase by 1 unit, it will reduce the share price of the banking company by 8,158 units, provided that the variable Return on Asset and Return On Equity are considered constants.
e. An e (Error) value of 0.671is derived from the magnitude of the influence of other variables outside the regression model. This means that the influence of other variables outside the regression model is 0.671.

### 6.2. Simultaneous Test (F Test)

The F test is used to determine the presence or absence of free variables (ROA, ROE, BOPO) against bound variables (Stock price) together.

Table 3. Simultaneous Test (F Test)
ANOVA[a]

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 8972287.601 | 3 | 2990762.534 | 5.745 | .004b |
| | Residual | 13535498.060 | 26 | 520596.079 | | |
| | Total | 22507785.661 | 29 | | | |

a. Dependent Variable: Stock Price
b. Predictors: (Constant), BOPO, ROE, ROA

Based on the output above, it is known that the significance value for the simultaneous influence of X1, X2, and X3 on Y is 0.004 < 0.05, and the calculated F value is 5.745 > F table 2.96, so it can be concluded that H4 is accepted which means that there is a simultaneous influence of X1, X2 and X3 on Y.

### 6.3. Partial Test (t-test)

The t-test is used to test whether or not there is an effect of the variables Return on Asset, Return On Equity, and Operating Income Operating Expenses on the stock price.

Table 4. Partial Test (t-test)
Coefficients[a]

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 103.182 | 176.209 | | .586 | .563 |
| | ROA | 1245.407 | 288.602 | 1.967 | 4.315 | .000 |
| | ROE | -95.880 | 71.910 | -1.163 | -1.333 | .194 |
| | BOPO | -423.193 | 103.520 | -8.158 | -4.088 | .000 |

a. Dependent Variable: Stock Price

1. Effect of Return on Asset on stock price (H1)
   t is known that the Sig value for the effect of X1 on Y is 0.000 < 0.05, and the calculated value of t is 4.315 > t table is 2.056, which means that there is a significant positive influence on the Variable Return on Asset on the share price, so H0 is rejected and Ha is accepted. The magnitude of the influence of the Return On Asset variable of 1,967, which is indicated by the magnitude of the β value of the study, means that if the Variable Return on Asset increases by one unit, the stock price increases by 1,967.
2. Effect of Return on Equity on stock price (H2)
   It is known that the Sig value for the effect of X2 on Y is 0.194 > 0.05 and t count -1.333 < t table 2.056, which means that there is an insignificant negative influence on the Return on Equity variable on the stock price. So that H0 is accepted, and Ha is rejected. The magnitude of the influence of the Variable Return On Equity on the stock price of -1,163, which is indicated by the magnitude of the β value of the study, is considered if the variable Return On Equity increases by one unit, then the stock price decreases by 1,163.
3. Effect of Operating Income Operating Expenses on share price (H3)
   It is known that the Sig value for the effect of X3 on Y is 0.000 < 0.05 and t counts -4.088 > t table 2.056, which means that there is a significant negative influence on the variable Operating Income Operating Expenses on the stock price. So H0 was rejected and Ha was accepted.

### 6.4. Coefficient of Determination (R2)

This determination test is used to determine how much the independent variable changes to the dependent variable.

Table 5. Coefficient of Determination (R2)
Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .631a | .399 | .329 | 721.52344 |

a. Predictors: (Constant), BOPO, ROE, ROA

From the SPSS data process above, it can be seen that the magnitude of the Adjusted $R^2$ number is 0.329. The figure is used to determine the extent to which the contribution of free variables in the regression model as well as explain variations of bound variables. From these results, the change in 32.9% of the changes that occurred in the dependent variables was able to explain 32.9% of the independent variables. While the remaining 67.1% was influenced by other factors, or in other words, the variables of Return On Asset, Return On Equity, and Operating Income Operating Expanses of 32.9% and the remaining 67.1% was caused by other variables outside this model.

## 7. Conclusion

Based on the results of data analysis using SPSS 20 which was discussed in the previous chapter regarding the effect of Return on Assets, Return on Equity and Operating Income Operating Expenses on the share price of private mini bank companies listed on the Indonesia Stock Exchange (IDX), the following conclusions were obtained:

1. Return on Asset has a positive and significant effect on the share price of private mini bank companies in 2017-2021. From the results of this study, it reflects that private mini-banks are increasingly effective in the performance of their companies. Return on Assets in this private mini bank company has been able to attract investors to invest in private mini bank companies because it has succeeded in generating high profits that have an impact on dividends that will be received by investors. Therefore, more and more interested people will have an impact on the rising stock price.
2. Return on Equity has no significant effect on the share price of private mini-bank companies in 2017-2021. Return on Equity has no effect because private mini-banks are not able to generate their profits with their own capital that can benefit shareholders. Mnc International bank companies in 2017 and Bank Oke Indonesia in 2019 had negative ROE results. This indicates that the company is not able to generate its income.
3. Operating Income Operating expenses negatively and significantly affects the share price of private mini-bank companies in 2017-2021. The BOPO result is negative because this private mini bank has led to digitization so that private mini banks have begun to reduce reserve costs, therefore operational costs have fallen and negatively affect the stock price, so private mini bank companies have been efficient in the company's financial performance.
4. Return On Asset, Return on Equity, and Operating Income Operating Expanses Together or simultaneously have a significant effect on the share price. The results of the F test showed the significance value of 0.004 < 0.05 and the calculated F value of 5.745 > F table of 2.96.

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