**ANALYSIS OF THE INFLUENCE OF FINANCIAL PERFORMANCE ON CHANGES IN DIGITAL BANKS SHARE PRICES LISTED ON THE IDX**

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**Abstract**

The purpose of this research is to assess and analyze the effect of CAR (Capital Adequacy Ratio), NPL (Non Performing Loan), LDR (Loan to Deposit Ratio), and ROE (Return on Equity) on digital bank stock prices.. The object of this research is digital bank companies listed on the IDX from 2019 to 2022. This research uses 7 company samples with the stock codes ARTO, BBHI, BBYB, BABP, AGRO, BNBA and BTPN. The companies mentioned above are companies that have digital banking applications and experienced the phenomenon of a surge in stock prices in early 2021, and then experienced a simultaneous decline in stock prices starting in early January 2022. The data used in this research are financial performance data and quarterly stock prices collected from the IDX and OJK websites. This research uses a data analysis method that begins with descriptive statistical tests, followed by a series of classical assumption tests, such as normality tests, multicollinearity tests, heteroscedasticity tests, and autocorrelation tests. The analysis technique used in this research is multiple linear regression to determine the effect of the independent variable on the dependent variable. The results of this research indicate that CAR, NPL, and LDR affect the stock price of digital banks while ROE does not effect on the stock price of digital banks.

**Keywords: Financial Performance, Stock Price, Digital Bank**

**Introduction**

IDX has listed several digital banking sector companies up to the year 2022. Some of the digital banking stocks listed include companies with stock codes ARTO, BBHI, BBYB, BABP, AGRO, BNBA, and BTPN. During the COVID-19 pandemic, digital banking sector stocks garnered significant attention from investors on the IDX due to their simultaneous significant price increases. The beginning of 2021 can be considered a golden year for the digital banking sector, as there was a simultaneous surge in stock prices. This phenomenon of rising stock prices had a positive impact on each issuer, as the majority of digital banking issuers experienced significant increases in stock prices, reaching their all-time highs since being listed on the IDX.

The phenomenon of the rise in digital banking sector stock prices was short-lived. In early January 2022, the stock prices of the digital banking sector experienced a significant decline. This decline in digital banking sector stock prices once again captured the attention of the media and the public, particularly stakeholders and shareholders. Furthermore, the decline in stock prices continued until December 2022.

According to Mulyani and Manunggal (2023), Several factors cause stock price volatility, one of which is internal factors, such as company performance. Evaluating company performance can be done by looking at various financial ratio indicators, such as CAR, NPL, LDR, and ROE.

**Signaling Theory**

The signaling theory explains that digital companies use signals to portray the quality and profit potential of the company to the market and investors. Here are the fundamental concepts of the signaling theory in this research:

1. CAR as a signal of business sustainability. Signaling theory explains that digital banks that have a high CAR tend to send a positive signal to the market regarding the sustainability of their business. A strong CAR can increase investor confidence that digital banks can withstand external risks and shocks, and therefore potentially give a positive impact on stock prices.
2. NPL as a credit risk signal. According to signaling theory, an increase in NPL can be interpreted as a negative signal regarding the credit risk management of digital banks. Conversely, a low NPL can serve as a positive signal that the digital bank has good risk control. Changes in NPL can also affect stock prices, with high NPL increasing uncertainty and reducing stock prices.
3. LDR serves as an indicator of credit risk. LDR shows the ratio of loans granted by digital banks compared to the external funds they collect in the form of deposits. A high LDR can serve as a signal of high credit risk, while a low LDR may be considered a positive signal regarding credit risk management. Similar to NPL, LDR can also impact the stock prices of digital banks.
4. ROE as a profitability signal. Signaling theory explains that a high ROE can be interpreted as a signal that a digital bank has strong financial performance and is capable of generating high profits. Conversely, a low ROE may serve as a negative signal regarding profitability. ROE also has an impact on stock prices, with a high ROE enhancing investor perception.

**Literature Review**

1. Sinaga (2023) in his research states that stock prices are not significantly influenced by ROA and ROE;
2. Fatma (2020) in her research states that LDR, CAR, and ROE have a substantial and positive impact on stock prices, while NPL shows a significant and negative impact on stock prices;
3. Muhidin and Situngkir (2023) in their research stated that ROA effects on stock prices;
4. Lahamid All et.al (2023) in their research stated that Share price is significantly positively impacted by CAR, while NPL and LDR show a significant negative impact;
5. Mulyani and Manunggal (2023) in their research state that The stock prices of banking companies listed on the IDX are influenced by ROA, ROE, LDR, and CAR.

**Research Framework**

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Image 1. Research Framework

**Research Methods**

This research is categorized as quantitative research This research population includes all digital banking companies listed on the IDX.. The companies used as research samples include companies with stock codes ARTO, BBHI, BBYB, BABP, AGRO, BNBA and BTPN. Author uses secondary data, specifically the company's quarterly financial performance data sourced from the OJK website and quarterly stock price data from 2019 to 2022, which can be accessed openly on the IDX website. Author uses the documentation method as an approach to collect data. The independent variables in this research are CAR, NPL, LDR, and ROE.

CAR

CAR is a financial performance ratio used to measure the bank's ability to cover risks with its capital. CAR can be calculated using the formulas below:

$$CAR=\frac{Core capital}{Risk Assets}×100\%$$

NPL

NPL is a ratio that measures the proportion of non-current loans or credits in a digital bank. NPL can be calculated using the following formula:

$$NPL=\frac{Total bad debts}{Total credit}×100\%$$

LDR

LDR is a ratio that measures the bank's ability to extend credit by taking into account third party funds. LDR can be calculated using the following formula:

$$LDR=\frac{Total Credit}{Total Third-Party Funds}×100\%$$

ROE

ROE is a ratio that shows the effectiveness of the use of capital by banks in generating profits. ROE can be calculated using the following formula:

$$ROE=\frac{Net profit}{Average shareholders' equity}×100\%$$

According to Sugiyono (2018), independent variables are variables that are influenced by independent variables. The independent variable in this research is the closing stock price of digital banks per quarter from 2019 to the end of 2022.

**Output**

Table 1. Descriptive Statistical Test Results

|  |
| --- |
| Descriptive Statistics |
|  | **Minimum** | **Maximum** | **Mean** | **Std. Deviation** |
| CAR | 0,20 | 538,01 | 44,5532 | 68,79506 |
| NPL | 0,00 | 10,93 | 1,8321 | 1,67437 |
| LDR | -0,77 | 210,43 | 93,7740 | 38,51019 |
| ROE | -89,03 | 95,44 | -0,7309 | 20,27499 |
| STOCK PRICE | 21,00 | 16.000,00 | 1945,3036 | 3074,36653 |

Source: Data Processed 2023

Table 2. Classical Assumption Test Results and Multiple Linear Regression

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Keterangan** | **Sig**  | **CAR** | **NPL** | **LDR** | **ROE** | **Ket** |
| Normality test (Kolmogorov-Smirnov) | 0.886 |  |  |  |  |  |
| Multikolonieritas | Tolerance |  | 0.801 | 0.873 | 0.822 | 0.898 |  |
| VIF |  | 1.248 | 1.145 | 1.217 | 1.114 |  |
| Heterokedastisitas |  | 0.530 | 0.544 | 0.104 | 0.433 |  |
| Autokorelasi | 1.456 |  |  |  |  | 1.456 |
| Multiple Linear Regression |  |  | 0.002 | 0.000 | 0.002 | 0.652 |  |
| Unstandardized Coefficients | Constant 6.036 |  | 0.006 | -0.386 | 0.010 | -0.003 |  |

Source: Data Processed 2023

**Discussion**

Effect of CAR on Stock Price

This research found that CAR has a significant positive effect on stock prices. This shows that good financial performance reflected in the high CAR ratio can have a positive impact on the stock price of digital bank companies listed on the IDX. Therefore, stakeholders can use the CAR ratio as one of the important indicators in making investment decisions and understanding the company's financial condition in the digital bank sector.

Effect of NPL on Stock Price

This research found that NPL has a significant negative effect on stock prices. This shows that the lower the NPL level, the better the company's financial performance in managing credit risk. Stakeholders can use the NPL ratio as an important indicator in analyzing the quality of the company's assets and identifying potential credit risks that can affect stock prices.

Effect of LDR on Stock Price

This research shows the results of an analysis that supports the statement that LDR has a significant negative effect on stock prices. These results indicate that the lower the LDR level, the better the company's financial performance in managing credit risk. Stakeholders including investors, regulators, and other stakeholders can use the LDR ratio as one of the important indicators in evaluating the company's ability to manage liquidity and credit risk. Understanding the importance of the LDR ratio in measuring the company's financial performance can help stakeholders make better investment decisions and gain a deeper understanding of the financial condition of companies in the digital bank sector.

Effect of ROE on Stock Price

This research shows the results of the analysis which states that the effect of ROE Ratio on stock prices is not statistically significant. However, it is important to note that the ROE ratio remains one of the relevant indicators in analyzing a company's profitability. ROE illustrates the company's ability to generate profits for shareholders from each unit of invested capital. Even though it is not significant in the context of this research, an understanding of the ROE ratio is still important for stakeholders such as investors and financial analysts in evaluating the company's profitability and measuring the expected return on investment. In addition, information on ROE can provide greater insight into the company's overall financial performance which can be the basis for investment decision-making and a better understanding of the financial condition of companies in the digital bank sector.

**Conclusion**

Based on the results of this research, the following conclusions can be concluded:

1. Financial performance as measured by the CAR indicator has a significant positive effect on stock price fluctuations.
2. Financial performance as measured by the NPL indicator has a negative and significant effect on stock price fluctuations.
3. Financial performance as measured by the LDR indicator has a negative and significant effect on stock price fluctuations.
4. ROE indicators does not show a significant effect on stock price fluctuations.

**Suggestions/Implications**

The following are suggestions for future researchers related to this research:

1. Expanding the research sample by including more digital bank companies listed on the IDX to create greater diversity in the data and enable broader generalization of research results;
2. Extend the research period to provide a better understanding of the long-term trends in the relationship between financial performance and changes in stock prices of digital bank companies and use more complex analytical methods;
3. Using other relevant variables in measuring the financial performance of digital bank companies such as liquidity or operational efficiency variables;
4. Analyze other sectors in the financial industry or conduct comparisons between the digital bank sector and the traditional banking sector to provide a broader perspective and compare the effect of financial performance on stock prices between these sectors.

**Limitations**

1. The results of this research are limited to companies with stock codes that have been selected so that the generalization of the research results only applies to companies included in the research sample;
2. This research uses quarterly financial performance data and company stock price data during the period 2019 to 2022 so there may be limitations in the data used such as accuracy, completeness, or consistency of data;
3. This research only considers the effect of four financial performance variables, namely CAR, NPL, LDR, and ROE on changes in stock prices, so there may be other variables that can affect changes in the stock prices of digital bank companies that are not considered in this research;
4. This research does not consider external factors that may affect stock price changes such as global market conditions, government policies, and changes in industry trends.

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