

# Financial Performance and Share Price of State-Owned Banks

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## ABSTRACT

*This study aims to examine the impact of the financial performance of state-owned banks (BUMN) on the Indonesia Stock Exchange (IDX) from 2017 to 2022. The population under investigation comprised all state-owned banks publicly traded on the Indonesia Stock Exchange from 2017 to 2022, amounting to 5 banks. The employed sample approach is purposive sampling. The research utilizes secondary data from annual reports and financial reports of state-owned banking businesses (BUMN) that have undergone an initial public offering and are now listed on the Indonesia Stock Exchange between 2017 and 2022. The data in this study will undergo multiple stages of testing, including descriptive statistical tests and classical assumption tests such as normality, multicollinearity, and heteroscedasticity. Additionally, all hypotheses will be tested using the coefficient of determination test, partial test (t test), and simultaneous test (f test). The findings indicated a strong and statistically significant correlation between the Return on Assets variable and stock prices of state-owned banking institutions listed on the IDX from 2017 to 2022. The Return on Equity variable exhibits a noteworthy and adverse impact on stock prices in state-owned banking institutions listed on the IDX for 2017-2022. The Loan deposit ratio variable shows a statistically insignificant negative impact on stock prices in state-owned banking institutions listed on the IDX from 2017 to 2022.*

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## INTRODUCTION

The enhancement of Indonesia's economy is intricately linked to the pivotal position of banks as the principal funding source for domestic industry. Banks serve as mediators in the financial sector, facilitating the connection between individuals or organizations seeking funds and companies that enable payment transactions (Egam et al., 2017). On the other hand, a bank's performance is directly linked to its operating profit and the prospective increase in its share price. Consequently, this results in increased profits for stockholders. A bank's financial performance pertains to its economic condition throughout a specific timeframe, encompassing many aspects of capital acquisition endeavors. Assessing a bank's performance entails scrutinizing its financial statements. Financial statements serve as a means to depict the organization's current state and offer valuable information regarding its financial performance (Purnamasari, 2017). To assess financial distress accurately, it is essential to analyze financial ratios obtained from financial statements (Kasmir, 2013; Ayu Indriawati, 2017). The company's financial performance can be assessed by examining the influence of banking-specific financial indicators on stock prices. These ratios are valuable instruments for evaluating the performance of banking organizations, provided they have an impact. These elements employ financial ratios. Financial ratios serve as a means to assess bank performance (Masril, 2018).

The study focuses on State-Owned Enterprise (SOE) banking companies publicly traded on the Indonesia Stock Exchange. The rationale behind selecting this organization is its robust standing within the banking sector. Nevertheless, according to the acquired data, the company's stock price exhibited volatility and showed a tendency to decrease in 2015. The banking sector's share price exhibited a consistent and persistent decline during 2015, signifying a clear negative trend. Based on statistics from the Indonesia Stock Exchange (IDX), KONTAN, BBRI, BMRI, and BBKA, they reported the most significant decrease in the Jakarta Composite Index (JCI) in September 2015. BBRI, BMRI, BBKA, and

BBNI contributed to a decline of 247.9 points, or 22.4% of the total reduction in the JCI during 2015. BBNI's stock price has decreased by 35.41%, BMRI has undergone a substantial decline of 30.16%, BBRI has fallen by 28.76%, and BBCA has experienced a correction of 12.57%. Analysts forecast that bank stocks will exhibit enhanced performance till the conclusion of this year. Bank stocks are probably accountable for the recent downturn in the JCI, resulting in the JCI falling below the 4,000 threshold in the imminent future. Between 2016 and early 2017, there was a notable surge in the value of bank equities, coinciding with banks consistently earning considerable profits. During the first quarter of 2017, PT Bank Rakyat Indonesia (Persero) Tbk (BBRI), PT Bank Central Asia Tbk (BBCA), and PT Bank Mandiri (Persero) Tbk (BMRI) achieved net profits of Rp 6.4 trillion, Rp 4.5 trillion, and Rp 4.1 trillion, respectively. The growth rates for the respective banks are 5.5%, 10.7%, and 6.9%. This trend was reinforced by the growing public trust in banking services, particularly for deposit and loan products, motor vehicle financing, home loans, electronic device financing, and similar offerings. The Bank witnessed a substantial surge in net interest revenue due to the rapid expansion in bank loans. Banks also observe a rise in service income from fees (Kesuma, 2019)..

When investors plan to invest their money by buying shares of a company on the stock exchange, an essential factor to consider is the company's share price. The share price denotes the precise value at which individual corporation shares are traded. Every issuer possesses its own unique share price, which typically experiences daily fluctuations. Shareholders will experience profits if a company's stock price constantly rises, whereas they will incur losses if the stock price regularly declines (Indriani & Dewi, 2016; Tekatel & Nurebo, 2019). The company's stock price can be influenced by a range of elements, such as the company's performance, market conditions, the political conditions of a country, and government policies (Widiana & Yustrianthe, 2020). Analysis of financial data for banking sector companies listed on the IDX stock exchange reveals that the profitability of each company has varied over time, with the most significant profit recorded in 2017. Similarly, the stock price of banking sector companies listed on the IDX has consistently risen. According to Putra (2014), shares are highly sought after by investors in the capital market due to their ability to offer a favorable rate of return. The financial ratios widely employed to assess banking performance are profitability and liquidity ratios (Syahroni & Ruzikna, 2017).

Financial statement analysis is essential for comprehending the data presented in financial statements. Financial analysis is a substitute for determining the usefulness of financial information in predicting stock prices (Kesuma, 2019). Financial statements may receive signals from linked parties, such as investors. The report will calculate the rate of return associated with a level of risk that shareholders are willing and able to accept. Several studies have examined financial performance, such as a study by Dewi and Hidayat (2019) that investigated the impact of net profit margin and return on assets on stock prices in automotive businesses listed on the Indonesia Stock Exchange. The study found that return on assets (ROA) and net profit margin (NPM) had a favorable and statistically significant impact on the stock prices of automotive businesses listed on the Indonesia Stock Exchange. This study uses profitability and liquidity ratios to examine the impact of financial performance on the share price of banking companies listed on the Indonesia Stock Exchange from 2017 to 2022. These ratios are valuable for assessing the company's financial condition. Profitability measures, such as return on assets (ROA) and return on equity (ROE), are used as proxies to quantify financial performance. Additionally, liquidity ratios, such as the Loan Deposit Ratio (LDR), are used to assess liquidity. equityThis study seeks to ascertain the impact of return on assets (ROA), return on equity (ROE), and loan deposit ratio (LDR) on the share price of state-owned banks (BUMN) listed on the Indonesia Stock Exchange (IDX) throughout 2017–2022.

## LITERATURE REVIEW

Performance measurement invariably commences with the pre-established objectives of the firm. The primary objective of the corporation is to maximize profits. Maximizing sales Ensuring the company's survival, it is attaining a suitable level of profitability; attain a specific market share objective; reduce employee attrition; They achieve internal harmony within management and optimize management advantages and remuneration (Egam et al., 2017; Giosi & Caiffa, 2020). Mulyadi (2016) identifies three quantitative indicators for assessing performance: A single criteria measure, often known as a single criterion, is a performance measure that evaluates management performance based on only one step. Multiple criterion measures refer to performance measures that utilize various metrics to assess managers' performance. 3. The composite criteria, which incorporates many measurements, considers the importance of each metric and calculates the average to provide a thorough assessment of manager performance. An evaluation is required to determine the outcome of the company's efforts. Syahroni (2017) states that evaluating a bank's health involves assessing the CAMELS variables, encompassing capital, asset quality, management, earnings, liquidity, and susceptibility to market risk. The condition and development of a bank in the implementation of its assessment are analysed using a qualitative technique, which involves evaluating the components of each factor.

Shares are a type of investment that is highly appealing to the general population. Shares are financial instruments issued by a firm structured as a limited liability firm (PT) or generally referred to as an issuer (Al Qaisi et al., 2016; Idawati et al., 2019). Shares indicate that the individual possessing them is the proprietor of the company. Therefore, when an investor purchases shares, they get ownership and become a company shareholder. Shares, commonly known as stocks, are the primary instruments exchanged in buying and selling operations on the stock exchange. The shares can be issued either in the name of the shareholder or by appointment. Investors find shares appealing for multiple reasons. For confident investors, purchasing shares offers a means to attain capital gains promptly, as shares yield continuous income or dividends. This aligns with the investment purpose, which is to generate financial growth or profit from the money allocated to a company (Digdowiseiso, 2021; Kesuma, 2019).

Determining stock prices involves several theoretical research methodologies that align with investors' perceptions and interests in investing in a company. Capital will assess if the issuing company (issuer) is operating continuously, in an established state of insolvency, or at risk of liquidation due to bankruptcy. A wise investor will continually assess the risk associated with the firm. Investing in the capital market offers two potential advantages: dividends, or interest and capital gains (Efendi & Ngatno, 2018). Prizes are contingent upon the firm or issuer's success, whereas capital gains are not influenced. Income and interest must always be positive, whereas capital gains have the potential to become capital losses at any given moment. During a bullish market, the likelihood of receiving dividends decreases while the possibility of gaining capital increases. Conversely, in a bearish market, the chance of receiving dividends increases while the possibility of earning capital decreases (Siregar & Farisi, 2018).

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An analyst needs a specific benchmark or metric to assess a company's financial statements. Ratios are frequently employed as measures in financial analysis. Financial ratios enable analysts to significantly compare a company's financial data at various times or with other companies. Syahroni, (2017) defines financial ratios as numerical values derived from comparing one item in a financial statement with another thing that shares a meaningful and substantial relationship. Financial ratios are the predominant method for evaluating financial information. Financial ratios are the principal method for evaluating financial statements. Ratio analysis elucidates the methodical correlation between one quantity and another. The methods employed in this analysis are indeed straightforward, but the ratio interpretation poses a more intricate challenge. Hence, the performance of the ratio necessitates the aptitude and analytical acumen of the individual.

Multiple categories of financial ratios exist. The ratio is determined according to the study's requirements to comprehend the organization's financial performance. According to Efendi (2018), financial ratio analysis is categorized into four categories based on the types of financial ratios and their relevance to the company's decision-making process. The leverage ratio quantifies the extent to which a corporation utilizes debt. The phrase solvency ratio is employed in specific analyses to assess a company's capacity to fulfill its financial commitments. Some ratios that can be used are debt ratio, debt to equity ratio, capital adequacy ratio, times interest earned, and debt service coverage. The liquidity ratio assesses the company's capacity to fulfill immediate financial responsibilities. The ratios encompassed in this set are the net working capital to total assets ratio, loan deposit ratio, current ratio, and rapid acid test ratio. 3. Profitability or efficiency ratios are designed to assess the effective utilization of a company's assets. The ratios encompass economic profitability, return on equity, return on investment, profit margin, profit margin turnover, accounts receivable turnover, and inventory turnover. The market value ratio utilizes data derived from financial accounts and capital markets. Two of the ratios mentioned are the price-earnings ratio and the market-to-book value ratio.

The profitability ratio is a metric used to evaluate a company's ability to generate profit. It measures the profitability and efficiency of banks using the return on assets (ROA) and return on equity (ROE) approaches. Additionally, this ratio indicates a company's management effectiveness (Kasmir, 2018). The profitability ratio, as determined by examining return on equity (ROE) and return on assets (ROA), holds significant importance in financial research. ROE measures the return rate on the capital or investment ordinary shareholders make. Return on assets (ROA) quantifies the effectiveness of a company's asset management in generating profits over a specific time frame. The liquidity ratio is a metric that quantifies a bank's capacity to settle immediate financial commitments, particularly interbank transactions, using the deposit ratio (LDR) methodology. The commonly utilized metric for evaluating the financial soundness of banks in terms of liquidity is the Loan Deposit Ratio (LDR) ratio. Professionals offer a precise

explanation of LDR. Ayu Indriawati (2017) states that the Loan Deposit Ratio (LDR) is a liquidity-measuring instrument. As stated by (Ahmet, 2020; Purnamasari, 2017), financial analysis encompasses examining financial ratios and evaluating strengths and weaknesses in the economic domain. This process is highly beneficial for reviewing previous management performance and prospects. These ratios indicate whether the company has enough liquid cash, efficient inventory management, effective investment expenditure planning, and a sound capital structure to maximize shareholder wealth. From an investor's perspective, accurately predicting future outcomes is crucial when studying financial statements. Therefore, examining financial information is a valuable tool for investors to formulate strategies to prepare for adverse scenarios. By reviewing the financial accounts, one may ascertain the benefits and drawbacks and the firm's progress in the current period. This information can be a reference for future corporate strategy (Heo, 2018; Widiana & Yustrianthe, 2020).

H1: Return On Assets (ROA) has a significant effect on the share price of State-Owned Banks (BUMN) listed on the Indonesia Stock Exchange.

H2: Return On Equity (ROE) has a significant effect on the share price of State-Owned Banks (BUMN) listed on the Indonesia Stock Exchange.

H3: Loan Deposit Ratio (LDR) has a significant effect on the stock price of State-Owned Banks (BUMN) listed on the Indonesia Stock Exchange.

## RESEARCH METHOD

This research falls under the category of quantitative analysis. The study focused on the entire population of state-owned banks listed on the Indonesia Stock Exchange from 2017 to 2022, comprising five banks. The sampling methodology employed is purposive sampling, which involves deliberate selection based on specific criteria (Sugiyono, 2015). The selection criteria for the samples in this study consist of the following: 1) All state-owned banks (BUMN) listed on the Indonesia stock exchange during the observation period from 2017 to 2022. 2) Providing financial statement data for each year of observation. The study utilizes audited financial records and annual reports from 2017 to 2022 of all State-Owned Banks (BUMN) listed on the IDX as secondary data. The research employs the documentation approach as the data-collecting strategy. The acquired data will undergo analysis using three stages of testing. The initial step is performing a descriptive statistical analysis. The second stage involves conducting a set of fundamental assumption tests, including normality, multicollinearity, and heteroscedasticity tests. The third phase consists of testing this study's hypotheses, which will be verified using the coefficient of determination test, partial test (t test), and simultaneous test (f test).

## RESULTS AND DISCUSSION

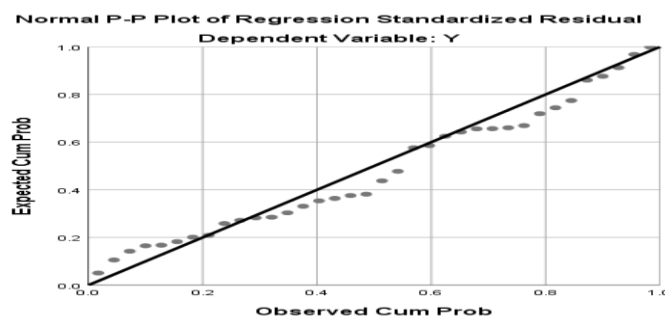
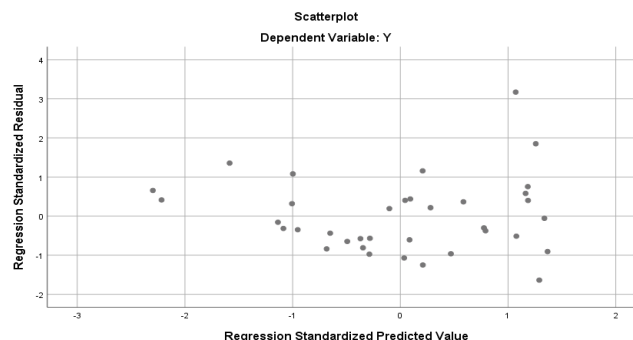
The first stage in analyzing this research data is to conduct descriptive statistical analysis. Descriptive statistical analysis is an analysis based on the data that has been collected. The data is then analyzed by calculating the average, median, minimum and maximum values of the return on assets, return on equity, loan deposit Ratio and stock price variables. Table 1 shows that the return on assets, representing the value of BUMN banking enterprises from 2017 to 2022, ranges from a minimum of 0.77 to a maximum of 3.41. The average value is 2.1047, with a standard deviation of 0.73898. The return on equity variable has a minimum value of 9.09 and a maximum value of 31.28. The typical mean value is 17.6694, with a standard deviation of 6.04047. The Loan Deposit Ratio variable, used as a proxy for the value of BUMN banking firms from 2017 to 2022, exhibits a minimum value of 59.79 and a maximum value of 102.20. The mean or average value is 83.8669, with a standard deviation of 11.42191.

**Table 1. Descriptive Statistical Analysis Results**

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
X1	36	.77	3.41	72.53	2.0147	.73898
X2	36	9.09	31.28	636.10	17.6694	6.04047
X3	36	59.79	102.20	3019.21	83.8669	11.42191
Y	36	765	9900	115332	3203.67	2103.278
Valid N (listwise)	36					

Source: Data Processing 2023

Table 1 shows that the return on assets, representing the value of BUMN banking enterprises from 2017 to 2022, ranges from a minimum of 0.77 to a maximum of 3.41. The average value is 2.1047, with a standard deviation of 0.73898. The return on equity variable has a minimum value of 9.09 and a maximum value of 31.28. The typical mean value is 17.6694, with a standard deviation of 6.04047. The Loan Deposit Ratio variable, used as a proxy for the value of BUMN banking organizations from 2017 to 2022, exhibits a minimum value of 59.79 and a maximum value of 102.20. The average value, or mean, is calculated to be 83.8669, with a standard deviation of 11.42191. The second stage involves conducting a normalcy test as part of the traditional assumption test. This test aims to determine if the regression model's dependent and independent variables have a standard or approximately normal distribution. A practical approach is to examine the standard probability plot. According to the average probability plot graph, the points are dispersed along the diagonal line and conform to its trajectory, indicating a typical distribution pattern. The regression model in this study is suitable for use as it satisfies the normality assumption.

**Figure 1. Normal Probability Plot****Figure 2. Scatterplot diagram**

The heteroskedasticity test tries to determine whether there is a variation in the residuals of one observation compared to another in the regression model. Heteroscedasticity testing examines the scatter plot graph in the SPSS output. According to the scatterplot diagram in Figure 2, the data exhibits a random

distribution without any discernible pattern, suggesting the absence of heteroscedasticity. Therefore, there exists a disparity in the variability of the residuals between different observations.

The multicollinearity test aims to determine whether the regression model has identified a correlation among the independent variables. An ideal regression model should exhibit no correlation among the independent variables.

**Table 2. Multicollinearity Test Results**

Variable	VIF	Info
X1	3.457	No Multicollinearity
X2	3.796	No Multicollinearity
X3	1.330	No Multicollinearity

*Source: Data Processing 2023*

Table 2 indicates that the regression model for the independent variables, as suggested by the researcher, is devoid of multicollinearity. The table above displays the VIF value of each independent variable, all less than 10. These values can be utilized to assess the impact of each variable on audit judgment. Once the classical assumption test confirms that the regression model satisfies the classical assumptions, the next step is to assess and interpret the multiple regression model.

**Table 3. Multiple Linear Regression Results  
Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6224.684	2936.889		2.119	.041
	X1	3139.708	696.303	1.116	4.509	.000
	X2	-443.664	89.357	-1.261	-4.965	.000
	X3	-17.832	28.046	-.084	-.636	.521

a. Dependent Variable: Y

From the results of the analysis with the help of SPSS 25.0 in table 3, the regression equation can be written as follows:

$$Y = 6224.684 + 3139.708ROA - 443.664ROE - 17.832LDR + e$$

The multiple linear regression equation provides a detailed explanation of the constant value ( $\alpha$ ) as 6224.684. This indicates that in the absence of any changes in the independent variable, the stock price remains at 6224.684. The regression coefficient for the ROA variable is 3139.708, indicating a positive relationship between ROA and stock prices. This suggests that a one-unit rise in ROA will result in a corresponding increase in stock price. The regression coefficient for the ROE variable is -443.664, indicating a negative impact of ROE on stock prices. The regression coefficient for the LDR variable is -17.832, showing a negative effect of LDR on stock prices.

The R2 (Determinant Coefficient) test is utilized to quantify the extent to which the independent variable explains the variation in the dependent variable, expressed as a percentage. The adjusted R2 value is used in this study as it serves as an indication to assess the impact of an increase in the independent variable on a regression equation. According to the coefficient of determination test results in Table 4, the R square value obtained is 0.540. This indicates that 45% of the share price of BUMN banking companies on the IDX is influenced by the variables ROA, ROE and LDR while the remaining 55% is influenced by other variables not examined in this study.

**Table 4. Determination Coefficient Test Results**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.668 <sup>a</sup>	.540	.390	1636.913

a. Predictors: (Constant), X3, X1, X2

Moreover, the t-test can be conducted by only examining the p-value of each variable presented in the regression results output obtained from SPSS. If the profitability value is less than 0.05 (at a significance level of 5%), then each independent variable has a meaningful impact on the dependent variable individually. Conversely, when the profitability value exceeds 0.05, each independent variable does not impact the dependent variable.

**Table 5. Partial Test Result**

Variable	t-calculated	Sig.	Info
X1	4.509	.000	Significant
X2	-4.965	.000	Significant
X3	-.636	.521	Insignificant

Source: Spss Output

The partial test findings indicate that ROA has a statistically significant positive impact on stock prices, as evidenced by a count of 4.509 with a significance level ( $\alpha$ ) of 0.000, lower than the predetermined significance level of 0.05. The study accepts that "Return on Assets (X1) has a significant impact on Stock Price." The test findings for the impact of Return on Equity (ROE) on stock prices indicate a count of -4,965, much lower than the significance level ( $\alpha = 0.05$ ) with a p-value of 0.000. The study's inclusion of the statement "Return on Equity (X2) has a significant effect on Stock Price" is being denied. The test findings for the impact of Liquidity (LDR) on stock prices indicate a t-count of -0.636, with a significance level (sig. level) of 0.521, which is higher than the predetermined significance level ( $\alpha = 0.05$ ). The study rejects the hypothesis that the "Loan Deposit Ratio has a significant effect on Stock Price."

## Discussion

The empirical findings of the initial hypothesis indicate that the return on assets (ROA) has a statistically significant and beneficial impact on the share price of state-owned banking firms listed on the Indonesia Stock Exchange (IDX). The return on assets positively influences the share price of state-owned banking firms (BUMN). This implies that when a company's return on assets value increases, the share price value of the issuer also increases. The assertion above also holds in reverse; if the return on asset value diminishes, the issuer's share price value will correspondingly fall. Return on assets (ROA) is a profitability ratio that indicates the extent to which profit growth will expand. A more excellent ROA value implies a larger payment of dividends. This remark suggests the company's continuous efforts to enhance its image, ensuring that a corresponding increase in the dividend payout ratio would accompany every rise in earnings. By capping the interest income at a maximum of 10%, the corporation ensures that its overall revenue remains relatively steady, which directly affects the consistency of the distributed profit dividends. Imposing a cap on interest-based debt at 82% will impact general expenses. The company's net profit is calculated by subtracting total costs from total revenue. Consequently, this measure will help stabilize profits and influence the dividends issued. The findings of this study align with the research conducted by Dewi and Hidayat (2019) regarding the impact of net profit margin and return on assets on the stock prices of automotive businesses listed on the Indonesia Stock Exchange. The study found that return on assets (ROA) has a favorable and statistically significant impact on the stock prices of automotive businesses listed on the Indonesia Stock Exchange.



The empirical findings from the second hypothesis (H2) testing indicate that return on equity has a detrimental and statistically negligible impact on the stock price of state-owned banking businesses (BUMN). The share price of state-owned banking firms (BUMN) is negatively impacted by return on equity, indicating that as a company's return on equity value increases, the value of the company's issuer share price that can be distributed to shareholders decreases. The statement above is equally valid in reverse: a decrease in the return on equity value leads to an increase in the issuer's share price value that can be distributed to shareholders. The return on equity (ROE) is highly appealing to current and potential shareholders and management. This ratio serves as a crucial gauge of shareholder value generation, indicating that a higher company valuation is particularly enticing for investors seeking to invest in the company. Return on equity is a quantitative metric that assesses the company's capacity to generate shareholder returns based on the capital invested. Agnes Sawir defines return on equity as a measure that evaluates the company's ability to efficiently utilize its capital resources and assesses the return on investment generated by its owners or shareholders (Widiana & Yustrianthe, 2020). The findings of this study are consistent with the research conducted by Rinati (2012) on the impact of net profit margin (NPM), return on assets (ROA), and return on equity (ROE) on the stock prices of companies featured in the LQ45 index. The study found that the return on equity (ROE) did not significantly influence the company's stock price. This research is consistent with previous studies conducted by Egam et al. (2017), Nurlia and Juwari (2019), and Zulia Hanum (2015).

The empirical findings of testing the third hypothesis (H3) indicate that the loan deposit ratio has a statistically insignificant and negative impact on the stock price of state-owned banking businesses (BUMN). The loan deposit ratio hurts the share price of state-owned banking firms (BUMN). This implies that when the loan deposit ratio of a company increases, the value of the company's issuer's share price that can be distributed to shareholders decreases. LDR, or Loan-to-Deposit Ratio, is a conventional metric used to gauge the proportion of a bank's client deposits utilized to satisfy loan requests, including time deposits, current accounts, savings, and other accounts. This ratio is used for quantifying liquidity. A high ratio suggests that a bank is either entirely using its money for lending purposes or is experiencing a lack of liquidity. On the other hand, a low ratio suggests that the bank has a surplus of funds available for lending, indicating its liquidity. Banks primarily engage in lending, which serves as their primary revenue stream. The extent to which money is distributed in the form of credit, as opposed to deposits or public deposits, is a determining factor. The LDR ratio represents the proportion of credit funds disbursed to the general population relative to the total amount of public money and equity employed. This ratio demonstrates the bank's capacity to meet depositors' withdrawals by utilizing credit to obtain liquidity. The findings of this study align with the research conducted by Masril (2018) regarding the impact of CAR and LDR on banking stock prices. The study concluded that the loan deposit ratio does not influence stock prices. This research also corroborates the findings of previous studies conducted by Ayu Indriawati (2017) and Purnamasari (2017).

## CONCLUSION

The impact of Return on Assets on stock prices in banking organizations is both positive and significant. ROA is utilized as a metric to assess the profitability of financial institutions. The attainment of maximum profit demonstrates the efficacy of a company's strong performance. During the observation period, the share price of banking businesses is significantly and negatively influenced by the Return on Equity variable. The Loan Deposit Ratio variable exhibits a detrimental and statistically negligible impact on the stock price of state-owned banking enterprises (BUMN). This is because attributing credit to the bank's capacity to offer loan money and customer deposits does not indicate the bank's profitability. A high loan-to-deposit ratio (LDR) elevates the likelihood of default.

Banking institutions should be able to manage their current capital to allocate cash to mitigate potential risks. Furthermore, firms must exercise control over their Return on Assets (ROA) to prevent any decline.

By effectively managing the utilization of assets owned by banking organizations, the company can optimize its profitability. The potential for increased profitability can positively influence the value of banking stocks. The focus of this study is state-owned banking businesses listed on the IDX. It is recommended that future researchers broaden the scope of their research, including extending the observation time, to acquire more comprehensive and precise research findings regarding the elements that influence firm value. Future academics studying substantial value should be able to incorporate additional pertinent aspects that impact significant value.

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