

## Analysis of Net Profit and Car Based on PSAK 71 on Stock Prices in Registered Banking Companies



Inung Wijayanti<sup>1</sup>, Masita Pasca Auliani<sup>2</sup>, Rizal Mawardi<sup>3</sup>

<sup>1,2,3</sup>Faculty of Economics and Business Perbanas Institute

**ABSTRACT:** This study aims to examine the effect of Net Profit and CAR which is calculated based on the provisions of PSAK 71 which is effective January 1, 2020 on stock prices. The sample of this study consisted of 32 banking companies in 2020 listed on the Indonesia Stock Exchange. Multiple regression analysis was used to test the hypothesis in this study and the sampling technique used was purposive sampling. The test results in this study indicate that net income and CAR based on PSAK 71 simultaneously affect stock prices. NPL (Non-Performing Loan) strengthens the effect of Net Income on Share Prices. NPL also strengthens the effect of CAR on stock prices.

**KEYWORDS:** Stock Price, Net Profit, CAR, NPL, Statement of financial accounting standards /PSAK 71

### INTRODUCTION

Companies in a competitive economy have the goal of obtaining high profits and surviving in the long term. Although not all corporate organizations make profit as the main goal. But in reality, companies in the form of non-profit organizations still need profits for the continuity of their activities. The company's net profit is one of the indicators seen by investors in the capital market in determining their investment decisions. One way that can be taken by investors in investing their funds is by buying shares. In maintaining and increasing company profits, it is a must so that shares still exist and are still in demand by investors (Hermansyah, 2008).

A share is one of the securities that can be traded owned by a person or a company, and is supported by a sign of participation. Parties who need funds can issue shares as a source of funds to finance their company's operational activities, parties with excess funds can invest their funds in shares in the hope that these funds will generate the expected returns. Capital gains and dividends are profits obtained by investors in investing in stocks. Dividends are profits distributed to shareholders (investors). The difference between the purchase and sale prices of the shares, where the selling price is higher than the purchase price is called Capital Gain, (Jogiyanto, 2011).

The value of the company can be indicated by the value of the share price. Stock market prices often fluctuate due to various factors, both internal and external. Meanwhile, internal factors that influence stock prices are financial performance, company management, and company fundamentals. External factors (macro environment) that can affect stock prices include domestic political turmoil, inflation rate, changes in government regulations, macroeconomic conditions of the country concerned, changes in interest rates, and so on.

Bank reserves are needed for the liquidity of a bank, such as being used to absorb deposits, provide capital to other banks and can be used to allocate facilities. (Giannetti and Simonov, 2009). When the rate of capital adequacy ratio (CAR) which is calculated by dividing the salary of shareholders with total assets, which is equal to one, means that banks are more dependent on shareholders in terms of financing (Giannetti and Simonov, 2009). If the Bank reduces the CAR, it means that it will increase the level of bank financial risk and will rely on foreign financial resources. This can lead to an increase in the company's cash costs and thereby reduce bank profitability (Taherinia and Baqeri, 2018).

In Indonesia, the provisions governing the presentation of financial statement items relating to Allowance for Earning Assets Losses (PPAP) and capital adequacy ratios are regulated in PSAK 55 concerning financial instruments. However, since January 1, 2020, the Statement of Financial Accounting Standards (PSAK) which regulates financial instruments is PSAK 71. PSAK 71 is a statement of financial accounting standards adopted from IFRS regarding financial instruments. With PSAK 71, banks are required to make a larger Allowance for Earning Assets (PPAP) than before using PSAK 50, 55 and 60. This is because PSAK 71

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requires banks to use the expected credit loss approach in determining PPAP or loss reserves. credit that is formed from the burden of provision for credit losses. While the old PSAK, namely PSAK 50, 55, and 60, used the incurred loss approach. The incurred loss approach recognizes the provision of credit losses or impairment when an event that results in the risk of default occurs (Jasman and Rizal, 2019).

Meanwhile, the approach *expected loss* requires banks to immediately recognize the impact of changes in expected credit losses after the initial recognition of financial assets based on *forward looking*, including macroeconomic predictions. This approach is considered to be able to increase the number of *non-performing loans (NPL)* and increase the burden of credit losses, which then has implications for a decrease in the capital adequacy ratio (Jasman and Rizal, 2019). Referring to previous studies, so in this study the hypothesis proposed is:

H<sub>1</sub> : Net Profit has a positive effect on stock prices.

H<sub>2</sub> : NPL strengthens the positive effect of Net Income on the company's stock price.

H<sub>3</sub> : CAR has a positive effect on stock prices.

H<sub>4</sub> : NPL strengthens the positive effect of CAR on the company's stock price.

### RESEARCH METHOD

A quantitative approach is used in this study which is presented descriptively by calculating the effect of net income and capital adequacy ratio on stock prices which is strengthened by the non-performing loan (NPL) variable using Analysis Test Multiple Regression. This study uses a sample of banking companies which are included in the main categories on the recording board. The source of data in this study was obtained by *purposive sampling method*, namely selecting banking companies listed on the main board of the IDX in 2020. Data processing and analysis using the Two Unrelated Sample Test (t-test), Classical Assumption Test, F Test, Test T and Regression Analysis Test.

### ANALYSIS AND DISCUSSION

#### **Capital Adequacy Ratio (CAR)**

The value of the *capital adequacy ratio* is projected in the form of a ratio. *Capital adequacy ratio* is obtained by comparing the company's capital with risk-weighted assets (RWA). Based on 32 research samples, the CAR variable in the descriptive statistical test shows a minimum value of 0.13 which is owned by Bank Ina Perdana. The maximum or highest car value is owned by Panin Syariah Bank with a value of 0.27. The average CAR value based on descriptive statistical tests is 0.19 and the standard deviation is 0.04. Capital adequacy ratio is the ratio of capital adequacy to overcome the possible risk of loss, measuring the ability of a bank through its capital and assets. The greater the CAR value of a banking company, the better the banking ability in terms of security and fulfillment of its obligations.

#### **Net Profit**

Based on descriptive statistical tests on 32 samples of net income of banking companies in this study, the company with a minimum net profit value is Bank Mayapada with a net profit of (In: 18.78); The maximum net profit in this study is (In: 30.4) which is owned by Bank BCA. The average value of net income in the 32 companies that became the research sample was (In: 26.06). The standard deviation of net income is (In: 2.63). The company's net profit is obtained by subtracting the total expenses from the total income, then deducting the company's income tax. The value of the company's net income can be used as a reference as profitability to investors and creditors who have an interest in the company and find out how efficiently it generates profits from total revenue.

#### **Stock Price**

The stock price variable in this study is using the closing stock price on June 30, 2020. Based on the descriptive statistical test, the minimum stock price is obtained, namely (In: 3.9) which is the share price of Bank Panin Dubai Syariah. The maximum or the highest share price belongs to Bank BCA, which is equal to (In: 10.2). Of the 32 samples of banking company stock prices studied, the average was (In: 6.5). The standard deviation is (In : 1.5). The high and low share prices are determined by the demand and supply of these shares in the capital market (Jogiyanto, 2011). The stock price is defined as the price in the real market, because it is the stock price in the ongoing market, or if the market is closed then the market price is the closing price (Musdalifah, 2015).

#### **Non-Performing Loan (NPL)**

Research data, namely the NPL used in this study, is only 2020 research data. This is because NPL data using PSAK 71 is only available in the first semester of 2020. Descriptive analysis of NPL research data in 2020 has a minimum value of 0.80. Furthermore,

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from the amount of data as many as 32 samples, the highest value of *non-performing loans* is 7.48. The average NPL value is 3.1319. The standard deviation of the NPL data distribution of banking companies in 2020 is 1.63270.

### Test of Two Unrelated Samples (t-Test difference test)

**Table 1. Test Results of the Difference in Net Profit**

Paired Samples Statistics		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Net Profit2019	26.1813	32	2.57312	.45487
	Net Profit2020	26.0612	32	2.63220	.46531

In table 1 it can be seen that the average Net Profit on the financial statements of banking companies that became the object of research in 2019, namely before the application of PSAK 71 was 26.1813 while after the application of PSAK 71 is equal to 26.0612. It is absolutely clear that the net income before and after the application of PSAK 71 is different. So it can be concluded that the net income of banking companies before the implementation of PSAK 71 and after the application of PSAK 71 is significantly different.

**Table 2. Results of the CAR Difference Test**

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	<b>CAR2019</b>	.1919	32	.04192	.00741
	<b>CAR2020</b>	1.7237	32	.78109	.13808

In table 2 it can be seen that the average *capital adequacy ratio* in banking companies before the implementation of PSAK 71 was 0.1919 while for banking companies after the implementation of PSAK 71 was 1.7237. It is absolutely clear that the average *capital adequacy ratio* is different between before the application of PSAK 71 and after the application of PSAK 71. So it can be concluded that the *capital adequacy ratio* before and after the application of PSAK 71 is significantly different.

### Multiple Regression Analysis

**Table 3. Results of Multiple Regression Analysis Model 1**

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	-5.477	2.096	
	Net Profit (NP)	0.480	0.086	0.772
	CAR	-0.912	1.680	-0.075

Based on table 3 the results obtained multiple regression equation as follows:

$$\text{Stock Price (SP)} = -5477 + 0.480\text{NP} - 0.912\text{CAR}$$

From the regression equation can be concluded that the constant value of -5.477 means that if the variables of net income and *capital adequacy ratio* are assumed to be equal to zero/constant, then the value of the share price is -5.477. The coefficient value of the Company's Profit variable is 0.480, meaning that if the company's net income variable increases by one point and other independent variables are considered constant, it causes an increase in share price of 0.480. Because the value is positive, it means that the higher the company's net profit, the higher the stock price will be. The coefficient value of the capital adequacy ratio variable is -0.912, which means that if the CAR variable increases by one point and the other independent variables are considered constant, it causes a decrease in stock prices of 0.912.

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**Table 4. Results of Multiple Regression Analysis Model 2**

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
	(Constant)	-8.265	5.849	
2	Net Profit	0.601	0.228	0.967
	NPL	1.408	1,936	1.437
	NPxNPL	-0.062	0.077	-1.523

Table 4 Based on the results obtained multiple regression equation as follows:

$$SP = -8265 + 0.601NI + 1.408NPL - 0.062NI \times NPL$$

From the regression equation From this, it can be concluded that the constant value is -8.265, meaning that if the net income and NPL variables are assumed to be zero/constant, then the share price value is -8.265. The coefficient value of the Net Profit variable is 0.601, meaning that if the company's net income variable has increased by one point and other independent variables are considered constant, it will cause an increase in stock prices of 0.601. Because the value is positive, it means that the higher the company's net profit, the higher the stock price will be. The coefficient value of the NPL variable is 1.408, which means that if the NPL variable increases by one point and the other independent variables are held constant, it will cause an increase in stock prices of 1,408. The coefficient value of the Net Profit variable moderated by NPL is -0.062, meaning that if the Net Profit variable moderated by NPL has increased by one point, while other independent variables are considered constant, it will cause a decrease in stock prices of 0.062. The direction of negative influence means that the higher the Net Profit moderated by NPL, the lower the stock price.

**Table 5. Results of Multiple Regression Analysis Model 3**

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
	(Constant)	6.878	1.384	
2	CAR	4.020	4.557	0.329
	NPL	-0.230	0.459	-0.235
	CARxNPL	-0.468	1.607	-0.162

Based on table 5, the results of the multiple regression equation are obtained as follows:

$$SP = 6.878 + 4.020CAR - 0.230NPL - 0.468CAR \times NPL$$

From the regression equation From that information, it is obtained that the constant value is 6.878, meaning that if the CAR and NPL variables are assumed to be equal to zero/constant, then the value of the share price is 6.878. The coefficient value of the CAR variable is 4,020, meaning that if the company's CAR variable has increased by one point and other independent variables are considered constant, it will cause an increase in stock prices of 4,020. Because the value is positive, it means that the higher the company's net profit, the higher the stock price will be. The coefficient value of the NPL variable is -0.230, which means that if the NPL variable increases by one point and the other independent variables are held constant, it will cause a decrease in stock prices of 0.230. The coefficient value of the NPL-moderated CAR variable is -0.468, meaning that if the NPL moderated CAR variable increases by one point, while other independent variables are considered constant, it will cause a decrease in stock prices of 0.468. The direction of negative influence means that the higher the CAR moderated by NPL, the lower the company's stock price.

### Hypothesis Testing

#### The coefficient of determination (*adjusted R<sup>2</sup>*)

**Table 6. Test Results Coefficient of Determination Model 1**

Model	Adjusted R <sup>2</sup>	Percentage (%)
Regression Analysis	0.521	52.1

Based on output above the known value of R Square of 0.521, this means that the effect of net income ( X<sub>1</sub>) and CAR (X<sub>2</sub>) simultaneously on the Y variable is 52.1%. Therefore, the effect of net income and *capital adequacy ratio* on stock prices simultaneously is 52.1%, while 47.9% is the effect caused by other factors.

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**Table 7. Test Results Coefficient of Determination Model 2**

Model	Adjusted R <sup>2</sup>	Percentage (%)
Regression Analysis	0.578	57.8

Based on output above the known value of R Square of 0.578, this means the influence of net profits and NPL as moderating variables on stock prices influence simultaneously of 57.8% while 42.2% is the influence caused by other factors.

**Table 8. Test Results Coefficient of Determination Model 3**

Model	Adjusted R <sup>2</sup>	Percentage (%)
Regression Analysis	0.199	19.9

Based on output above the known value of R Square of 0.199, it means that the effect of CAR and NPL as moderating variables on stock prices influence simultaneously of 19.9% while 80.1% is the influence caused by other factors.

### STATISTICAL TEST F

**Table 9. Significance Test Results F Model 1**

Model	F	Sig	Description
Multiple Regression Analysis	17.880	0.000	Simultaneous Effect

Based on Table 9 F test model 1 obtained a significance value of 0.000 less than 0.05. This means that it can be concluded that the Net Profit and variables *Capital Adequacy Ratio* simultaneously affect stock prices or the F test results can also be interpreted as a multiple regression analysis model is feasible. If you look at table 9 it proves that there is an effect of X<sub>1</sub> and X<sub>2</sub> simultaneously on Y. Thus, net income and CAR simultaneously affect the stock price.

**Table 10. Significance Test Results F Model 2**

Model	F	Sig	Description
Multiple Regression Analysis	12.771	0.000	Simultaneous Effect

Based on Table 10 F test model 2 obtained a significance value of 0.000 less than 0.05. This means that it can be concluded that the Net Profit and NPL variables as moderating variables simultaneously affect stock prices or the results of this F test can also be interpreted as a multiple regression analysis model is feasible. This proves that there is an effect of net income and NPL as a moderating variable that simultaneously affects stock prices.

**Table 11. Significance Test Results F Model 3**

Model	F	Sig	Description
Multiple Regression Analysis	2.319	0.000	Simultaneous Effect

Based on Table 11 F test model 3 obtained a significance value of 0.000 less than 0.05. This means that it can be concluded that the Capital Adequacy Ratio and NPL variables simultaneously affect stock prices or the results of the F test can also be interpreted as a multiple regression analysis model is feasible. If seen in table 11, this proves that there is an effect of X<sub>2</sub> and NPL simultaneously on Y. Thus, CAR and NPL as moderating variables simultaneously affect the stock price.

### TEST STATISTICS T

**Table 12. Statistical Test Results t Model 1**

Model	Prediction	Standardized Coefficients Beta	T	Sig (one tailed)
(Constant)			-2.613	
Net Profit	+	0.772	5.611	0.000
CAR	-	-0.075	-0.543	0.591

Source: Secondary data processed, 2020

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**Table 13. Statistical Test Results t Model 2**

Model	Prediction	Beta Coefficients	Standardized Coefficients	T	Sig (one-tailed)
(Constant)				-1.413	0.169
Net Profit	+	0.967		2.635	0.014
NPL	-	1.436		0.727	0.473
LBXNPL			-1.523	-0.806	0.427

Source: secondary data is processed, 2020

**Table 14. Statistical Test Results t Model 3**

Model	Prediction	Standardized Coefficients Beta	t	Sig (one tailed)
(Constant)			4.969	0.000
CAR	+	0.329	0.882	0.385
NPL	-	-0.235	-0.501	0.620
CAR x NPL		-0.162	-0.291	0.773

Source: Secondary data processed, 2020

Based on test results t above so that the following analysis is obtained:

### Hypothesis 1: Net Profit has a positive effect on Stock Prices

The first hypothesis ( $H_1$ ) of this study states that Net Income has a positive effect on stock prices. Referring to table 12, it can be seen the coefficient value of each variable in the first model regression equation. The value of the coefficient B has a positive value of 0.772 indicating that only the Net Profit variable has a p value of  $0.000 < 0.05$ . This means that only the Net Profit variable has a significant relationship in this equation. The value of the coefficient B has a positive direction, which means the higher the net profit, the higher the stock price, and vice versa. This means that the first hypothesis which states that net income has a positive effect on stock prices is acceptable.

### Hypothesis 2: NPL reinforce positive influence on the net profit on stock price

Second hypothesis ( $H_2$ ) this study stated that the NPL as a moderating variable has a positive effect on the relationship Earnings and Stock Price. Referring to table 13, it can be seen the coefficient value of each variable in the second model regression equation. The value of the coefficient B is positive at 0.967, indicating that only the Net Profit variable has a p value of  $0.014 < 0.05$ . This means that only the Net Profit variable has a significant relationship in this equation. The value of the coefficient B has a positive direction, which means the higher the net profit, the higher the company's stock price, and vice versa. This means that the second hypothesis which states that NPL strengthens the positive influence of Net Profit on Stock Prices is acceptable.

### Hypothesis 3: CAR positive effect on stock price

Third hypothesis ( $H_3$ ) this study stated that the CAR has a positive effect on stock price. Referring to table 12, it can be seen the coefficient value of each variable in the second model regression equation. The value of the coefficient B variable for the *Capital Adequacy Ratio* is negative at 0.075, which means the higher the Capital Adequacy Ratio, the lower the company's stock price. Variable  $X_2$  is CAR with p value  $0.591 > 0.05$  and has a negative coefficient B value, meaning that the third hypothesis which states that CAR has a significant effect on stock prices is rejected, this means that there is no effect of CAR on stock prices.

### Hypothesis 4: NPL strengthens the positive effect of CAR on stock prices.

The fourth hypothesis ( $H_4$ ) of this study states that NPL as a moderating variable has a positive effect on the relationship between CAR and stock prices. Referring to table 14, it can be seen that the coefficient value of each variable in the second model of the regression equation. The positive value of the B coefficient is 0.329, indicating that the NPL variable has a p value of  $0.385 > 0.05$ . This means that the NPL variable does not have a significant relationship in this equation. The value of the coefficient B has a positive direction, which means the higher the NPL, the higher the company's stock price, and vice versa. This means that the hypothesis that NPL strengthens the positive effect of CAR on stock prices cannot be accepted (rejected).

## DISCUSSION

From the results of data analysis by T-test test (Difference Test) it was found that there was a significant difference between the Net Profit of banking companies before and after the application of PSAK 71. Hypothesis testing was found that the probability



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value of sig 0.007 which means sig < 0.05, it means profit net before the application of PSAK 71 with after the application of PSAK 71 has a variant that is not the same (not identical). Thus, the company's net income before and after the implementation of PSAK 71 is significantly different.

From the results of data analysis by T-test (Different Test) it is found that there is a significant difference between the CAR of banking companies before and after the application of PSAK 71. Hypothesis testing was found that the probability value sig 0.000 which means sig < 0.05, it means that the CAR before the application of PSAK 71 and after the application of PSAK 71 has a variant that is not the same (not identical). Thus, the company's CAR before and after the implementation of PSAK 71 is significantly different.

### Net Profit Based on PSAK71 has an effect on Stock Price.

The significance value of Net Income is 0.000 which is smaller than 0.05, so the first hypothesis is accepted because there is an influence between Net Earnings on Stock Prices. Likewise, the research of Putri and Dillak (2017) and Nawangwulan, (2018) which concluded that simultaneously or partially stated that net income had a significant effect on the stock price of companies listed on the LQ 45 Index of the Indonesia Stock Exchange. This means that if the company's net income increases, the company's share price will also increase. The results show that net income and CAR simultaneously affect stock prices, with anvalue *R Square* of 0.521, this means that the effect of net income and *capital adequacy ratio* on stock prices simultaneously is 52.1% while 47.9% is the effect caused by other factors.

### Capital Adequacy Ratio based on PSAK 71 has no effect on stock prices.

The significance value of CAR is 0.591, which is greater than 0.005 and the t-count value -0.543 is smaller than the t table, which is 2.037, so the hypothesis is rejected, meaning that there is no effect of CAR on stock prices. This result is in accordance with the results of Masril's research in 2018, namely CAR has no influence on individual stock prices (Masril, 2018). *The capital adequacy ratio has no significant effect on share prices in banking companies in Malaysia* (Ahmed, 2018). CAR has an influence on individual stock prices (Rusdiyanto, 2018). *Capital Adequacy Ratio (CAR) has a significant positive effect on stock prices*. The results of the study simultaneously showed a relationship, (Warsiati, 2018). According to Bank Indonesia Circular No. 15/11/DPNP/2013 stipulates that the minimum CAR for commercial banks to obtain the Short Term Funding Facility (FPJP) is 8%, after previously being set at 5%.

In this study, the average CAR of commercial banks exceeds the minimum limit set by Bank Indonesia (BI) so it is the same as NPL, this is a good signal for investors, as long as the figure is not less than that set by BI. Investor optimism continues to strengthen in line with improving economic and banking conditions, so that the increase in stock prices of commercial banks exceeds fluctuations in CAR every year. This is what causes CAR to have no significant effect on stock prices of commercial banks in the period 2008 – 2012 (Sigit, 2013).

## CONCLUSION

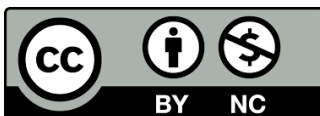
This study concludes that the net income of banking companies before the application of PSAK 71 and after the application of PSAK 71 is significantly different. Likewise, there is a significant difference to the capital adequacy ratio at the time of the application of PSAK 71 before or after the application of PSKA 71. Individual net income has a positive effect on the company's stock price. However, individual CAR has no effect on the company's stock price. CAR and net profit of the company have a significant effect on stock prices simultaneously. NPL as a moderating variable has a positive influence on the relationship between Net Profit and Share Price with the value of *R Square* increasing to 57.8%. Meanwhile, NPL as a moderating variable does not have a positive effect on the relationship between CAR and stock prices, with the value of *R Square* decreasing to 19.9%.

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