The Effect of Loan to Deposit Ratio (LDR), Capital Adequacy Ratio (CAR) and Return on Asset (ROA) against Stock Price at Sharia Commercial Bank in Indonesia

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Abstract: The formulation of the problem in this research is how much influence of Loan to Deposit Ratio (LDR), Capital Adequacy Ratio (CAR) and Return on Asset (ROA) to Stocks Price at Sharia Commercial Bank in Indonesia. The method used in this research is descriptive causal method, that is research method done by explaining cause-effect relationship by observing. Based on the results of the research, the simultaneous Loan to Deposit Ratio (LDR), Capital Adequacy Ratio (CAR), and Return on Asset (ROA) have significant effect to Stock price at Indonesian Sharia Commercial Bank. Partially Loan to Deposit Ratio (LDR) has significant effect to Stock price at Indonesian Sharia Commercial Bank, Capital Adequacy Ratio (CAR) has a significant negative effect to Stock price at Indonesian Sharia Commercial Bank and Return on Asset (ROA) has no significant effect on Stock price at the Indonesian Sharia Commercial Bank.

1 INTRODUCTION

Stock prices are an indicator of the success of a company's management. If the stock price of a company always increases, investors or prospective investors judge that the company is successful in managing its business. Trust of investors and prospective investors is very beneficial for the issuers, because the more people believe in the issuers, the desire to invest in issuers will be stronger.

The price of a stock in the capital market is influenced by several factors, both internal and external factors. Internal factors are those seen from within the company that are specific to such stocks such as sales, financial performance, management performance, company conditions, and the industry in which the company is engaged. While external factors are those that are macro in influencing stock prices in the stock such as inflation, interest rates, foreign exchange rates, and non-economic factors such as social conditions, politics, and other factors (Martalena and Malinda, 2011).

Sharia banking as a Sharia financial institution, initially grew slowly, but then began to show the rapid development of achieving growth far above the development of conventional banking. In Indonesia Sharia banking has emerged since the issuance of

Law no. 7 of 1992 on Banking, which implicitly has opened the opportunity of banking business activities that have operational basis for the results, marked by the establishment of Bank Muamalat Indonesia (BMI).

Profit sharing is a common characteristic and basic foundation for sharia bank operations as a whole. *Shari*'a is the principle based on Al-Mudharabah's rule. Based on this principle, Islamic banks will serve as partners, both with savers and with entrepreneurs who borrow funds. With savers, banks will act as *mudharib* (fund manager), while savers act as *shahibulmaal* (owner of funds). Between the two held a *mudharaba*h agreement stating the distribution of benefits of each party. Similar to conventional banking, *sharia* banking also relies on depositors who keep their money in the bank. Together with the increasing public knowledge of sharia banking, the profit-sharing rate becomes one of the incentives for depositors to keep their money in a sharia bank.

The level of health of the banking itself can be assessed from several indicators, one of the main indicators used as a basis in the assessment is the financial statements of the bank concerned. Based on these financial statements, a number of financial ratios that are commonly used as the basis for

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assessment of bank soundness will be calculated. A result of financial statement analysis will help to interpret the various relationships and trends that can provide a basis for consideration about the potential success of a company in the future.

The performance shown by a banking system by looking at the financial indicators is critical to the performance of a bank. Health and financial stability of banks can be seen from several financial indicators such as Loan to Deposit Ratio (LDR) which is an indicator of vulnerability and ability of a bank, Capital Adequacy Ratio (CAR) is the ratio of bank performance to measure the capital adequacy of banks to support assets containing or generate a risk (Fahmi, 2015), and Return On Assets (ROA) is the company's financial ratios associated with the profit potential of measuring the strength of the company resulting in profits or earnings at the level of income, assets and also specific stock capital.

1.1 Theoretical Basis

The bank comes from the word *bangue* (French) and from the word *banco* (Italian) which means a chest/ cupboard or bench. The crates and benches explain the basic functions of commercial banks, namely: first, providing a place for safe keeping functions; second, providing a means of payment to purchase goods and services (Antonio, 2009).

Sharia bank is a financial institution needed by the community in conducting financial transactions and other banking transactions. The transactions offered by the bank differ from bank to bank. Some Islamic banks offer all banking products, some *sharia* banks offer only certain products and so on. Products and services of sharia banks that can be given to the community depend on the type (Ismail, 2011).

It is in contrast to a bank conducting its activities in a conventional manner, and providing services in general payment traffic based on procedures and provisions that have been applied under positive law.

Islamic banking acts as a financial intermediary institution between economic units that have excess funds with other units that are under-funded. Therefore, to implement the intermediation function, sharia pigment institutions will conduct business activities in the form of collecting funds, channeling funds, and providing various financial transaction services to the community (Burhanuddin, 2010).

1.2 Stock Price

Stock is a piece of paper showing the right of the investor who owns the paper to obtain a share of the prospect or wealth of the organization issuing the securities, and the conditions under which the investor may exercise his right (Husnan, 2008).

Stock is one of the most favored capital market instruments by investors because it is able to provide an attractive rate of return. Stocks are clearly stated papers of nominal value, name of company, and followed by rights and obligations which have been explained to each holder (Fahmi, 2012).

Stock (share) is a sign of participation or possession of a person or entity within a company or limited liability company. The stock is a piece of paper explaining that the paper owner is the owner of the company issuing the securities (Darmadji and Fakhruddin, 2012).

1.3 Loan to Deposit Ratio (LDR)

Definition of Loan to Deposit Ratio according to Bank Indonesia Regulation Number 15/7 / PBI / 2013 concerning Statutory Reserves of Commercial Banks at Bank Indonesia in Rupiah and Foreign Currency is the ratio of credits extended to third parties in Rupiah and foreign currency, excluding credit to Bank third party funds covering demand deposits, savings deposits and time deposits in Rupiah and foreign currency, excluding interbank funds. Loan to Deposit Ratio means to demonstrate the ability of banks in providing funds to debtors with capital owned by banks and funds collected from the community

1.4 Capital Adequacy Ratio (CAR)

Capital Adequacy Ratio (CAR) is a ratio showing how far all bank assets that contain credit risk, inclusion, securities, and claims to other banks are financed from the bank's own capital funds. Besides, it obtains funds from sources outside the bank, such as funds from the community, loans, and others. Capital Adequacy Ratio (CAR) is an indicator of the bank's ability to cover its decline in assets as a resultof bank losses caused by risky assets (Darmawi, 2011).

According to Cashmir (Cashmir, 2014), Capital Adequacy Ratio (CAR) is the ratio between the ratios of capital to Risk Weighted Assets according to government regulations. In principle, the level of Capital Adequacy Ratio (CAR) is adjusted to the provisions of the Capital Adequacy Ratio (CAR) that apply internationally that is in accordance with the standards issued by the Bank for Settlement Ratio (BIS). The increase of Capital Adequacy Ratio (CAR) aims to improve performance and to ensure prudential banking principles have always been ensured.

1.5 Return on Assets (ROA)

According to Horne and Wachowicz (2012), Return on Assets (ROA) is a measure of overall effectiveness in generating profits through available assets; power to generate profits from invested capital. Horne and Wachowicz calculate Return on Assets (ROA) using the net income formula after tax divided by total assets.

Bambang Riyanto (Bambang Riyanto, 2012) mentions the term Return on Assets (ROA) with Net Earning Power Ratio (Rate of Return on Investment / ROI) is the ability of the capital invested in the overall assets to generate net profit. The net profit he means is the net profit after tax

2 METHODOLOGY

2.1 Population and Sample of the Study

According to Kuncoro (Kuncoro, 2009), population is a complete group of elements, usually in the form of people, objects, transactions or events in which we are interested to learn or become the object of research. Based on the explanation that has been presented, the population in this study is tabulation of financialdata of Sharia Commercial Banks in Indonesia listed on the Indonesia Stock Exchange period 2014-2016, and data is taken online from the site www.idx.co.id which amounted to 10 Indonesian ShariaCommercialBank.

In this research, sampling using purposive sampling. Purposive sampling is one of the non-random sampling techniques where the researcher determines the sampling by determining the specific characteristics which is suitable with the research objectives so that it is expected to answer the research problem. According to Sugiyono (2012) purposive sampling is a technique to determine the sample of research with some considerations which aim to ensure that the data obtained later can be more representative.

2.2 Data Analysis Technique

Multiple linear regression analysis in this study aims to determine the magnitude of the influence of independent variables of LDR, CAR, and ROA to the dependent variable that is Stock price. In this study, the authors use multiple linear regression statistical analysis. The equations used are:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e \qquad (1)$$

Information:
Y = Stock Price
a = Constants
b1b2 = Multiple regression coefficients
X1 = LDR dimension score
X2 = CAR dimension scores
X3 = ROA dimension score
e = Standard error

3 RESULT

3.1 Multiple Linear Regression Test

Results of multiple linear regression analysis test in this study can be seen in table 1 as follows:

Table 1: Results of Multiple Linear Regression Test.

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	6357,748	1437,815		4,422	,000
LDR	3910,661	1159,450	,571	3,373	,002
CAR	-398,370	110,007	-,713	-3,621	,001
ROA	694,934	412,429	,306	1,685	,104

a. DependentVariable: Stock Price
Source: Data Processed with SPSS

Based on the results of multiple linear regression test in table 1 above can be described as follows:

$$Y = 6357,74 + 3910,66X_1 - 398,37X_2 + 694,93X_3 + e \qquad (2)$$

3.2 Hypothesis Testing

3.2.1 Partial Significance Test (t-Test)

The result of partial significance test (t-test) in this research can be seen in table 2 as follows:

Table 2: Results of Partial Significance Test (t-Test).

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1(Constant)	6357,748	1437,815		4,422	,000
LDR	3910,661	1159,450	,571	3,373	,002
CAR	-398,370	110,007	-,713	-3,621	,001
ROA	694,934	412,429	,306	1,685	,104

a. DependentVariable: Stock Price
Source: Data Processed with SPSS

Based on the results of partial significance test (t-test) in table 2 above, it can be described that Loanto Deposit Ratio (LDR) has a t-count of 3.373> t-table1,703 and significance level of 0.00 <0.05. Further, it can be concluded that Loanto Deposit Ratio (LDR) has a significant positive effect on Stock price at Indonesian Sharia Commercial Bank. Capital Adequacy Ratio (CAR) has t-count value of -3,621> t-table-1.703 with significance level of 0.00 <0.05, and it can be concluded that Capital Adequacy Ratio CAR) have a significant negative effect on Stock price at Indonesian Sharia Commercial Bank. Return on Asset (ROA) has a t-count of 1,685 <t-table 1,703 and a significance level of 0.10> 0.05. Further, it can be concluded that ReturnonAsset (ROA) has no significant effect on Stock price at Indonesian Sharia Commercial Bank.

3.2.2 Simultaneous Significance Test (F-Test)

The result of simultaneous significance test (Test-F) in this research can be seen in table 3 below:

Table 3: Results of Simultaneous Significance Test (F-Test).

ANOVA[a]

Model	Sum ofSquares	df	MeanSquare	F	Sig.
1Regression	95216683,235	3	31738894,412	5,940	,003[b]
Residual	138918166,232	26	5343006,394		
Total	234134849,467	29			

a. DependentVariable: Stock Price
b. Predictors: (Constant), ROA, LDR, CAR
Source: Data Processed with SPSS

Based on the results of the simultaneous significance test (Test-F) in table 3 above, it can be seen that the Loan Deposit Ratio (LDR), Capital Adequacy Ratio (CAR), and Return On Assets (ROA) of 5.940> F-table 2.96 with significance level 0,00 <0,05, it can be concluded that simultaneously Loan to Deposit Ratio (LDR), Capital Adequacy Ratio (CAR), and Return On Asset (ROA) have significant effect to Stocks Price at Indonesian Sharia Commercial Bank.

4 ANALYSIS

4.1 The Effect of Loanto Deposit Ratio (LDR) on Stock Price at Indonesian Sharia Commercial Bank

Based on the results of this study, it is concluded that the high or low value of Loanto Deposit Ratio (LDR) greatly affects the value of Stocks Price at Indonesian Sharia Commercial Bank. When the Loanto Deposit Ratio (LDR) rises, the value of the stock price will also rise, and if the Loanto Deposit Ratio (LDR) decreases, then the value of the Stock price will also come down. Loanto Deposit Ratio (LDR) in this study has a significant partial influence, because Loanto Deposit Ratio (LDR) gives a fairly high assumption of value to the Stock price.

The results of this study are also in line with the results of research conducted by Dian Fordian (Dian Fordian, 2017), the results of his research states that the Loan to Deposit Ratio (LDR) effect on Stock price.

4.2 The Influence of Capital Adequacy Ratio (CAR) on Stock Price at Indonesian Sharia Commercial Bank

Based on the results of this study, it is concluded that the high value of Capital Adequacy Ratio (CAR) will affect the value of Stocks Price at Indonesian Sharia Commercial Bank. When the value of the Capital Adequacy Ratio (LDR) rises, the value of the stock price will decrease due to significant negative effect, and if the value of Capital Adequacy Ratio (CAR) decreases, the value of stock price will rise with positive value.

Capital Adequacy Ratio (CAR) in this research has a partial effect because Capital Adequacy Ratio (CAR) gives the assumption of high negative value to stock price.

The results of this study are also in line with the those of research conducted by Diah Purnamasari et al (Diah Purnamasari et al, 2017), in which the result of their research states that Capital Adequacy Ratio (CAR) has a negative effect on stock prices.

4.3 The Influence of Return on Assets (ROA) on Stock Price at Indonesian Sharia Commercial Bank

Based on the results of this study, it is concluded that the high or low value of Return on Assets (ROA) does not affect the value of stocks of Sharia Banks in Indonesia. When the value of Return on Assets (ROA) falls, the stock price will not go down, and if the value of Return on Assets (ROA) rises, the value of the share price will also not go up.

Return on Asset (ROA) has no partial effect because Return on Asset (ROA) only gives low value assumption to increase of Stock Price compared with Capital Adequacy Ratio (CAR). The result of this research is also in line with that of research conducted by Y. Sunyoto and Sam'ani (Y. Sunyoto and Sam'ani, 2014) in which the result of their research states that Return on Assets (ROA) has no effect on Stock Price.

5 CONCLUSIONS

Based on the results of this study, the conclusions can be described as the following:
1. Partially Loan to Deposit Ratio (LDR) has a significant effect on Stock Price at Indonesian Sharia Commercial Bank. When the Loan to Deposit Ratio (LDR) drops, the value of the stock price will come down too, and if the Loan to Deposit Ratio (LDR) rises, then the value of the Stock Price will also rise.
2. Partially Capital Adequacy Ratio (CAR) has a significant negative effect on Stock Price at Indonesian Sharia Commercial Bank. When the value of the Capital Adequacy Ratio (LDR) falls, the value of the stock price will rise, and if the Capital Adequacy Ratio CAR value rises, then the value of the Stock Price will decrease. This is due to Capital Adequacy Ratio (CAR) has a significant negative effect on Stock Price.
3. Partially Return on Asset (ROA) has no effect on Stock Price at Sharia Indonesia Commercial Bank. When the value of Return on Assets (ROA) falls, the value of stock price will not come down, and if the value of Return on Assets (ROA) increases, the value of stock price will also not go up.

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