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THE ANALYSIS RELATES TO THE IMPACT CAUSED BY THE CAPITAL ADEQUACY RATIO AND LOAN TO DEPOSITS RATIO WHICH MEDIATED BY RETURN ON ASSETS TOWARDS THE STOCK PRICES

Lissom Marettos Hutabarat[1], Hedwigis Esti Riwayati[2]
[1] Alumni of Management, Perbanas Institute, Jakarta Indonesia, lissommarettos@gmail.com
[2] Lecturer of Perbanas Institute, Jakarta Indonesia, hedwigis.esti@perbanas.id

Corresponding Author: Hedwigis Esti Riwayati

Abstract: The research purpose was to discover and analyze the role of the Capital adequacy ratio and loan to deposits ratio towards Stock prices which are mediated by return on assets. The population in this research were 4 (four) state-owned banks and the sample process through purposive sampling technique with the total number of elements in the population was a sample whose subjects had met the required criteria. The research data was obtained through the publication of Financial Services Authority related to the financial statements of conventional banks and the yahoo finance website. The analysis technique used was panel data regression and data processing through Microsoft Excel 2020 and Eviews 10 applications. The results show that the Capital adequacy ratio had a positive and significant impact on stock prices, loan to deposits ratio and return on assets have no effect on stock prices. The Capital adequacy ratio had a negative and significant impact towards return on assets, loan to deposits ratio had no impact towards return on assets, return on assets is able to partially mediate the impact from Capital adequacy ratio towards stock prices and return on assets is unable to mediate the impact from loan to deposits ratio towards stock prices of state-owned banks in Indonesia during this research period.

Keywords: Capital adequacy ratio, loan to deposits ratio, return on assets and stock prices.

INTRODUCTION

The banking industry is an important entity from a country's economy, its role as a financial intermediary for the community is very influential on the economic activities which carried out. According to Prasanjaya & Ramantha (2013), the banking fields play crucial role in the economy of a country, because banking acts as the lifeblood of trade which aims to provide all kinds of financing and lending needs. According to Law No. 10 of 1998 dated November 10,

1998 relates to the Banking, it could be interpreted that the banking business were includes three activities, such as collecting funds, distributing funds, and providing other bank services.

According to Marta in Fordian (2017) who explained that the state-owned banks are the most influential bank group on the banking industry in Indonesia. State-owned banks are positioned as market leaders with large market stocks, so the performance of state-owned banks greatly affects the performance of national banking. If the performance of state-owned banks is maximal, the performance of the national banking industry will get better and conversely.

The percentage of capital adequacy ratio in state-owned banks tends to increase every year. This indicates that the increase in financial performance in terms of solvency. In the loan to deposits ratio, it could be said that the percentage fluctuates with a tendency to increase every year. This indicates that the liquidity of state-owned banks cannot move with certainty. However, the percentage is still within great criteria. On the other hand, the percentage of return on assets in state-owned banks could be said to fluctuate with a declining trend every year. This shows that the profitability of state-owned banks has decreased and it is suspected that this decline caused by increasingly fierce business competition, so the optimization of earning assets management was hampered. If you look at the trend in the loan to deposits ratio which tends to increase compared to the trend in the return on assets ratio which tends to decrease, it could be said that although state-owned banks provide a lot of credit to the public, it does not have an impact which is proportional to the profits earned, meaning that it could be assumed that lending which approximately 90 percent from the funds collected which cannot be provide to the maximum return. Profitability performance should be inversely proportional to liquidity performance, because the more banks distribute credit, the smaller the percentage of liquidity, but it will provide interest benefits which are proportional to the amount of credit provided, so the percentage of profitability was greater.

Naftali et al. (2018), and Harahap & Hairunnisah (2017) revealed that the capital adequacy ratio (CAR) has a positive impact on stock prices. Unlike Fordian (2017); Sambul et al. (2016); and Wibisono (2015) were also found that the capital adequacy ratio had no impact towards stock prices. Research which related to those impact from loan to deposits ratio to stock prices, Like which has been carried out by Sambul et al. (2016) who found out that the loan to deposits ratio had a negative impact towards stock prices. While Fordian (2017); Wibisono (2015); and Harahap & Hairunnisah (2017) who found that loan to deposits ratio has no impact towards stock prices. The impact from capital adequacy ratio on return on assets (ROA) has been researched by Warsa & Mustanda (2016); Maria (2015); and Puspitasari (2009) who found that the capital adequacy ratio had a positive impact towards return on assets. Opposite to the research from Yatiningsih (2015) who found that the capital adequacy ratio had a negative impact towards return on assets, while Eng (2013) who found that the capital adequacy ratio had no impact towards return on assets.

Warsa & Mustanda (2016); Maria (2015); and Puspitasari (2009) analyzed related to the impact from loan to deposits ratio on ROA with the result stated that the loan to deposits ratio has a positive impact on ROA. Opposites to Yatiningsih (2015); Ghozali & Subandi (2013); and Eng (2013) who discovered that LDR has a negative impact towards return on assets. Meanwhile, Rasyid (2012) defined that Loan to deposits ratio has no impact towards return on assets. The role of ROA on stock prices has been investigated by Naftali et al. (2018); Nurcahyanto (2017); and Watung & Ilat (2016) who exposed that ROA had a positive impact towards stock prices. Natsir (2016) found that if ROA had a negative impact on stock prices, while Harahap & Hairunnisah (2017) found that ROA had no impact on stock prices.

LITERATURE REVIEW

According to Dendawijaya (2009) Capital adequacy ratio (CAR) is a ratio that shows how much total bank assets has contain elements of risk (credit, investment, securities, claims on other banks) which are also financed from the bank's own capital, in addition to obtaining funds from sources outside the bank. Capital adequacy ratio based on Kuncoro & Suhardjono (2011) is capital adequacy which shows the ability of the bank to maintain sufficient capital and bank management ability to identify, measure, supervise and control the risks that appear which could affect the amount of bank capital.

Bank Indonesia through PBI No. 9/13/PBI/2007 explains that the Capital adequacy ratio is the minimum capital provision for banks based on asset risk in a broad sense, both assets listed on the balance sheet and administrative assets as reflected in contingent liabilities or commitments provided by the bank as for third parties and market risk. Bank Indonesia sets the capital adequacy ratio at minimum percentage of 8 percent. According to Hempel (1986) in Butarbutar (2014) stated that there are three basic forms of bank capital, namely subordinated loans, preferred stocks and common stocks.

From several definitions which have been described previously, it could be said that the capital adequacy ratio is a ratio which shows the ratio between capital owned by the bank to all assets owned by assigning a risk weight according to its portfolio. The higher percentage of capital adequacy ratio could reflect the better solvency performance of the bank.

According to Dendawijaya (2009) Loan to deposits ratio (LDR) is the ratio between the total amount of credit which extended by the bank and the funds received by the bank. Meanwhile, according to Riyadi (2015) Loan to deposits ratio is a comparison of total credit to third party funds collected by banks. This ratio will show the level of the bank's ability to deliver funds which from the public (in the form of demand deposits, savings, time deposits, certificates of time deposits and other immediate obligations) in the form of credit. Kasmir (2015) suggests that Loan to deposits ratio is a ratio used to assess the composition of the amount of credit given compared to the amount of public funds and own capital used. Then Butarbutar (2014) based on Pakfeb (1991) stated that banks are required to maintain liquidity based on Loan to deposits ratio, namely the comparison between loans extended to third party funds, including loans received within a period of 3 months.

Bank Indonesia Regulation No. 15/7/PBI/2013 which concern about Statutory Reserves for Commercial Banks at Bank Indonesia in IDR and Foreign Currency defines Loan to deposits ratio as the ratio of loans extended to third parties in rupiah and foreign currencies, excluding loans to other banks to third party funds which include demand deposits, savings, and time deposits in rupiah and foreign currencies, excluding interbank funds. Bank Indonesia Circular Letter No. 15/29/DKBU dated July 31, 2013 concerning about the Annual Report and Published Financial Reports of Rural Banks stated which stated that Loan to deposit is a ratio that could assess the ratio of credit to the third party funds in Rural Banks where the credit is the total credit granted to third party funds (excluding loans with other banks) and third party funds include current accounts, savings and time deposits (excluding interbank).

According to the several definitions that have been described in the previous paragraphs, it could be said that Loan to deposits is a ratio used to measure the level of bank liquidity in relation to the ratio of amount of credit disbursed to the amount of third party funds collected. The higher the ratio, the lower the liquidity, this because the third party funds collected are mostly delivered in the form of credit, so the available money portfolio held to maintain liquidity

is small. Bank Indonesia Regulation No. 15/15/PBI/2013 which concern about Statutory Reserves for Commercial Banks in Rupiah and Foreign Exchange for Conventional Commercial Banks stipulates that the safe limit for the loan to deposits ratio ranges from 78 percent to 92 percent.

Based on Dendawijaya (2009) stated that the ratio of return on assets (ROA) is used to assess the ability of bank's management to obtain overall profits. The greater the ability of a bank to earned a return on assets, the greater the profit level which could be produce by a bank. While Kasmir (2015)said the return on assets is divided into 2 (two) parts, namely gross yield on total assets is a ratio that used to measure management's ability to generate income from asset management and net income total assets is a ratio that used to measure the ability of management in earning overall profitability and managerial efficiency. Mishkin (2008) in Vireyto & Sulasmiyati (2017) defined that return on assets often used as a basic measure of bank profits in returns on assets because the return on assets provides information relates to the efficiency of the bank when it runs and shows how much profit that generated on average from its assets.

Bank Indonesia Circular Letter No. 15/29/DKBU dated on July 31, 2013 which concern about the Annual Report and Published Financial Report of Rural Banks stated that Return on Assets is a ratio that used to assess the ability of bank management to earned overall profits by dividing profit before tax from the average total assets. Dendawijaya (2009) argues that Bank Indonesia in determining the soundness of a bank, which is more concerned with assessing return on assets than return on equity. This cause of its prioritizes value of a bank's profitability could be measured by assets, the source which came mostly from public deposit funds.

From several ROA definition, it could be said that return on assets is a ratio which measures the ability of a bank to earned profits from managing its asset portfolio. The higher the return on assets ratio, the better the profitability performance, with a high percentage rate of return on assets, a bank could be said in good condition when it could manage its assets to generate profits.

Stocks according to Azis et al. (2015), was defined as a sign of participation or ownership from individual investors or institutional investors or traders towards their investments or a number of money invested in a company. According to Fahmi (2012) in Vireyto & Sulasmiyati (2017) stocks are papers that clearly state the nominal value, company name and included by rights and obligations that have been explained to each holder. Stocks are certificates which seens as a evidence of an ownership of the company where the stockholders have claim rights to the income and assets from the company. According to Husnan (2013) in Watung & Ilat (2016)who defined the stocks as pieces of paper that show the rights of investors (the party who owns the paper) to earned a stock prospects or wealth of the organization that issues the securities with various conditions that allow the investors to excute their rights. Issuing stocks is one of the company's choices when deciding to fund a company and stocks are an investment tools which chosen by so many investors because of its ability to provide an attractive profit level.

Based on Tandelilin (2017) the capital market is an market principle for long-term securities in the form of debt and equity, securities in the form of stocks are divided into two types, namely: 1) common stock is a stock which stated ownership of a company; 2) preferred stock is a type of equity security which differs from several aspects than common stock.

Vireyto & Sulasmiyati (2017) explained that stock prices are a reflection from a company's financial performance. In a short term period the stock price could fluctuate, so in the end of the closing period the stock price is the right reference in comparing or analyzing a study. According

to Tandelilin (2017) stock prices are a reflection of investors' expectations of earning, cash flow, and the level of return required by investors, in which these three factors are also strongly determined by macroeconomic conditions.

Based on Fahmi (2012) in Vireyto & Sulasmiyati (2017) who found the factors which have an impact towards stock prices are as follows: 1) micro and macroeconomic conditions; 2) company policies in deciding to expand (business expansion) such as opening branch offices (branch officers), sub-branch offices, both domestically and abroad; 3) sudden change of directors; 4) there are directors or commissioners of the company that involved in a criminal act and the case has gone to court; 5) the company's performance continues to decline over time; 6) systematic risk, which is a form of risk that occurs as a whole and causes the company to be involved; 7) the influence of the market which could suppress the technical conditions of stock trading.

According to the some of the understandings which have been described, it could be said that stocks are evidence from capital ownership in a company that has gone public and was listed on the stock exchange or capital market. If it refers to the company performance then the stock price could be used as a benchmark which is reflected to the behavior of the community or stakeholders in assessing a company. Stock prices could be influenced by so many factors including: Capital Adequacy Ratio, Loan to Deposits Ratio and Return on Assets. Based on the theory and findings from previous research regarding the factors that could affect the stock prices, these following hypothesis could be drawn such as:

H_1: Capital Adequacy Ratio has a positive affect on Return on Assets.
H_2: Loan to Deposits Ratio has a positive affect on Return on Assets.
H_3: Capital Adequacy Ratio has a positive affect on stock prices.
H_4: Loan to Deposits Ratio has a negative affect on stock prices.
H_5: Return on Assets has a positive affect on stock prices.
H_6: Return on Assets could be able to mediate the impact from the Capital Adequacy Ratio to Stock Prices.
H_7: Return on Assets could be able to mediate the impact from Loan to Deposits Ratio to Stock Prices.

RESEARCH METHODS

This research was conveyed based on the research purposes, namely to learn further relates to the affect of the capital adequacy ratio and loan to deposits ratio towards stock prices with return on assets as an intervening variable in Indonesian state-owned banks. To make it more easier in answering this research objectives, theoretical framework has arranged like in Figure 1.

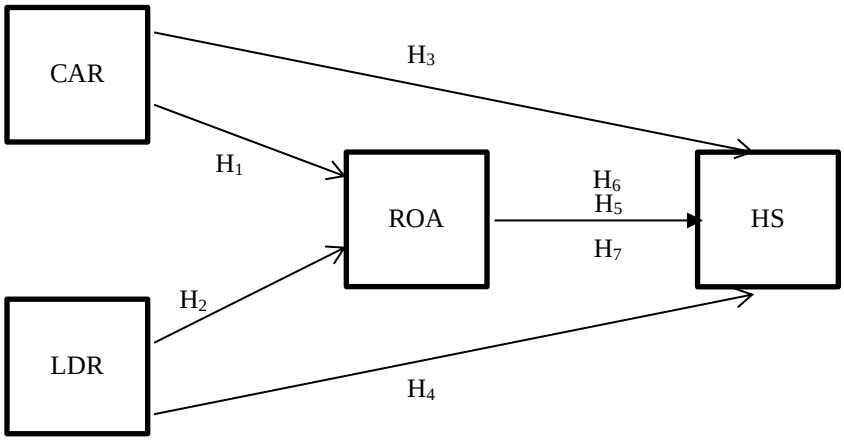

Figure 1. Theoretical Framework

The population used in this research was state-owned banks in Indonesia. The sample used was taken by purposive sampling with census techniques so the total number of elements in the population is a sample whose subjects have met the required criteria. When referring to the number of members from state-owned banks in Indonesia, there are only 4 (four) banks that could be used as a sample.

The data analysis which performed in this research was quantitative analysis by an inferential statistical method. Data processing was carried out through panel data regression which all processed done witj Microsoft Excel 2019 and Eviews 10. Panel data regression is an combination from cross section and time series data, thus the reason why this research choosed the panel data regression was because the research object consists of four state-owned banks in Indonesia, and those processed data was taken based on a quarterly time series.

FINDINGS AND DISCUSSION

The estimation technique in panel data regression needs to be selected based on the existing cross section and time series data criteria, basically there are three methods in estimating the panel data regression, namely the common effect method, fixed effect, and random effect. In this research, there are two sub-structures, namely sub-structure 1 which is formed through the basic equation ROA = CAR + LDR and sub-structure 2 with the basic equation Stock Price = CAR + LDR + ROA. The estimation of panel data regression method in this research is more appropriate with the fixed effect method. Test the hypothesis of sub-structure 1 there are three variables, namely CAR and LDR as the independent variable and ROA as the dependent variable. The Estimation of equations in sub-structure 1 through the least squares panel method with a fixed effect model. The results from the classical assumption test shows that the variables forming sub-structure 1 have met the panel data regression requirements.

Table 1. Fixed Effect Estimation Results
The Impact of CAR and LDR on ROA

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.278992	1.250095	5.022813	0.0000
CAR	-0.096009	0.026138	-3.673122	0.0005
LDR	-0.018276	0.013939	-1.311100	0.1939

Source: Output Data Processing

The estimation results in sub-structure 1 by the fixed effect model in Table 1 shows that the CAR p-value of 0.0005 is smaller than alpha value of 0.05, meaning that CAR partially has a significant negative affect on ROA. If the coefficient value is negative, it could be said that CAR has a negative affect on ROA. While the LDR p-value of 0.1939 is greater than the 0.05 alpha value, so it could be said that LDR partially has no affect on ROA.

The hypothesis of sub-structure 2 there are 4 (four) variables, namely CAR, LDR, and ROA as independent variables and stock price as the dependent variable. Estimation of the equations in sub-structure 2 using the generalized least squares panel method which has been improved on the level of freedom by using white cross-section standard errors and covariance with the selected fixed effects model. The results of this classical assumption test show that the variables forming the sub-structure 2 have met the panel data regression requirements after going through healing on the normality test.

Table 2 Fixed Effect Estimation Results
The Impact of CAR, LDR, ROA on Stock Prices

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-3.123712	3.928848	-0.795071	0.4291
LOGCAR	1.711274	0.443705	3.856781	0.0002
LOGLDR	1.337643	0.933317	1.433215	0.1561
LOGROA	0.106572	0.130355	0.817552	0.4163

Source: Output Data Processing

Table 2 shows that the estimation results from sub-structure 2 through fixed effect model. The p-value of the CAR variable of 0.0002 which is smaller than alpha value of 0.05, meaning that CAR partially has a positive and significant affect towards stock prices. The p-value of the LDR variable is 0.1561 which greater than the alpha value of 0.05, meaning that the LDR partially has no affect on stock prices. The ROA variable has a p-value of 0.4163 which greater than an alpha value of 0.05, meaning that ROA partially has no affect on stock prices. Table 3 shows the value of the regression coefficient and the probability of the results from the impact of CAR towards stock prices through ROA.

Table 3 The Impact of CAR on Stock Prices through ROA

Influence of Variable	Causality Impact		Indirect lead of influences
	Direct	Indirect influence through ROA	
CAR → ROA	-0,0960	-	-
ROA → Stock Price	0,1066	-	-
CAR → Stock Price	1,7112	-0,0960 × 0,1066 = -0,0102	Negatif

Source: Output Data Processing

Based on Table 3, the direct effect of CAR on stock prices has a regression coefficient value of 1.7112 which is higher than the coefficient value of the effect of CAR on stock prices through ROA, which is -0.0102, so it can be said that ROA is not able to mediate the effect of CAR on prices. stock. The sixth hypothesis (H_6) in this study states that ROA is able to mediate the effect of CAR on stock prices so that the sixth hypothesis (H_6) is rejected. Table 4 shows the results of testing the effect of LDR on stock prices through ROA.

Table 4 The Impact of LDR on Stock Prices through ROA

Influence of Variable	Causality Impact		Indirect lead of influences
	Direct	Indirect influence through ROA	
LDR → ROA	-0,0182	-	-
ROA → Stock Price	0,1066	-	-
LDR → Stock Price	1,3376	-0,0182 × 0.1066 = -0,0019	Negatif

Source: Output Data Processing

The direct effect from LDR towards stock prices has a regression coefficient value of 1.3376 which is higher than the coefficient value of LDR's influence towards stock prices through ROA, which is only -0.0019 in other word that ROA is not able to mediate the affect of LDR towards stock prices. The seventh hypothesis (H_7) in this research states that ROA is able to mediate the impact from LDR to stock prices so the seventh hypothesis (H_7) was rejected. If you look at the negative value of the LDR regression coefficient on ROA, it could be said that ROA could reduce the impact of LDR on stock prices but not in significantly.

Discussion

The components which could shaped up the CAR are capital and risk-weighted assets (RWA), In other word that CAR is a ratio that shows the ability of bank's capital to cover the potential risks that occur in the bank's business. A high capital portfolio will increase cash reserves which are avail money on the bank's asset side, which used to cover a portfolio of assets that have a risk weight, while bank assets that have a risk weight, one of which is credit extended to the public. If the RWA portfolio has a small value, it shows that the credit disbursed by the bank concerned is also of small value so that the earning assets component that provides profits to the bank is also affected to be small, this is in accordance with the principles of high risk high return and low risk low return.

If we discuss about the characteristics between CAR and ROA, it could be said that these two ratios have their own characteristics where the CAR shows solvency performance and ROA shows profitability performance. As for solvency, it shows that the ability to pay off all obligations, both long and short term, and profitability, shows the ability to earn a profit. Based on this understanding, then it could be said that these two characteristics are different therefore in practice they could be contradictory. 0i7 Bank Indonesia stipulates that the minimum healthy CAR percentage is 8 percent, but that does not mean that the higher the better, the percentage need to be maintained and controlled according to conditions in the economic environment of the bank concerned. The results from this research are supported by Yatiningsih (2015) who found that CAR has a negative impact on ROA, so it could be said that the increasing of solvency performance will represented by CAR can reduce profitability in state-owned banks in Indonesia.

The components which create the LDR are the third party funds and total loans disbursed, so it said that LDR is a ratio which shows the liquidity capability of the bank which was determined by the size of loan portfolio which delivered compared to the public funds collected. If the LDR ratio is high, means that the level of liquidity is lower because most of the third party funds are used for lending, which are earning assets that provide profits from the bank's spread based on income. This research result was indicate that LDR has no impact towards ROA. Most of the liquidity components are formed by cash equivalent assets and generally as an avail money, then if the avail money portfolio in bank assets increases, it will decrease its earning assets portfolio. The gap between liquidity and profitability in banks is a very reasonable thing to happen because when banks extend too much credit to increase profits (profitability), the bank will be exposed to liquidity risk due to a decrease on the avail money portfolio for liabilities. This results are supported by Yatiningsih (2015) and Eng (2013) who revealed that LDR has no impact to ROA, so it could be defined that the increase in liquidity performance who represented by LDR cannot affect the profitability of state-owned banks in Indonesia.

The large percentage of CAR could affect the interest of the public or investors to buy or sell shares in certain issuers, this is because CAR is a ratio that shows the bank's performance in covering various potential risks that will occur in its business activities. The results of this research was indicate that CAR has a positive and significant impact towards stock prices, which means that the higher solvency performance represented by CAR will increase public or investor interest in purchasing the stocks from state-owned banks in Indonesia, this indicates that the public or investors have an interest in buying stocks in Indonesia. A bank with a lower risk as reflected in the large percentage of its CAR. If the public interest or investors to buy stocks from an issuer increases, it will be able to affect the supply and demand on the stock price, meaning the more interested of people are, the higher the price will be. This results are supported by the research from Naftali et al. (2018) and Harahap & Hairunnisah (2017) who discovered that CAR has a positive impact towards stock prices.

The results from this research was indicate that LDR has no impact towards stock prices, meaning that the public or investors did not take concern to liquidity problems in state-owned banks in Indonesia related to purchase decision to buy or sell stocks in the bank concerned. When referring to risk and profit, the LDR should be excluded as a basis for assessment to the public, because basically LDR is only used to determine the condition of bank liquidity according to the composition of credit to third party funds.

A high Loan Deposit Ratio (LDR), although liquidity decreases, it is not necessarily a large money turnover that will occur at the bank, so with a high LDR, the potential profit generated from the loans disbursed will be large, but there is a scheme where when the LDR is high, liquidity declines and the bank will experience a phase where the velocity of money is very high, causing liquidity facing difficulties which in turn can cause reputational risk and anxiety for third party fund owners and potentially to cause a rush. On the other hand, a low LDR indicates there's at least funds are delivered in the form of credit so the profit generated by the bank will be in low, but with a low LDR, the level of liquidity in the bank will be high, which is a very good condition when the economy is deteriorating. If you look at some points of these schemes, it could be explain that LDR did not have directly affect to the interest of the public or investors because its nature that does not have certainty in practice. The results of this research are in line with Fordian (2017); Wibisono (2015); and Harahap & Hairunnisah (2017) who described as in their respective research that LDR has no impact on stock prices, so it could be said that liquidity performance does not affect the stock prices of state-owned banks in Indonesia.

Dendawijaya (2009) described that the ROA ratio is used to measure the ability of a bank's management to obtain whole profits. The higher the percentage of ROA, the greater the profit would generated by the bank, the amount of profit could attract the attention of investors to purchase the stocks in the bank. If you look at the results of research it showing that ROA has no significant impact towards stock prices, meaning that profit is not the main component that attracts the investors' attention. In financial theory, profit is something that is always directly proportional to risk (high risk high return, low risk low return) so when an issuer's profit is high but the interest in its stocks is low, it could be define that investors are more considerate the amount of risk that exists in the issuer. The results of this research are supported by Naftali (2018); Nurcahyanto (2017); and Watung & Ilat (2016) who discovered that ROA had a positive impact on stock prices and related to its significance this research was conveyed by Harahap & Hairunnisah (2017) who explained if the ROA had no significant impact towards stock prices, then it said if the profitability performance or profit gains did not affect the stock prices in public assessment to buying stocks from state-owned banks in Indonesia.

The value from the CAR regression coefficient on ROA is negative, in other word stated that ROA could reduce the impact from CAR to stock prices. CAR had a negative and significant affect on ROA. However, the probability value of CAR will be able to influence stock prices through ROA which is lower than the direct impact of CAR on prices. The results showed that ROA had no positive and significant impact on stock prices, so it said that ROA was not able to mediate the effect of CAR on stock prices. The low influence of CAR on ROA, in other word its ability or profit is not able to mediate the effect of solvency performance represented by CAR on public interest in buying shares in state-owned banks in Indonesia.

If you look at the negative value from LDR regression coefficient towards ROA which could be said that ROA can reduce the impact of LDR on stock prices. This shows that LDR does not have a significant affect towards ROA so the probability of LDR being able to influence stock prices through ROA is low. On the other hand, the results from this research was indicate that ROA has no positive and significant affect on stock prices, so it can be said that the mediating ability of ROA on stock prices cannot be recommended. The results had shown that profitability or profit performance could not mediate the impact from liquidity performance which represented by LDR on public interest in stocks purchase of state-owned banks in Indonesia.

CONCLUSIONS AND RECOMMENDATION

The solvency ratio which represented by the capital adequacy ratio (CAR) has a negative and significant impact towards stock prices of state-owned banks in Indonesia during this research period. The solvency performance of state-owned banks that represented by CAR is a concern for the public or investors to buy or sell their stocks. Basically, CAR is a measurement who will shows the ability of a bank to fulfill all of its assets that have a risk profile, meaning that CAR shows the capability of a bank to cover risks that could potentially occur as a result of its business activities, especially those included in the credit portfolio.

The liquidity ratio which represented by the Loan to deposits ratio (LDR) which is found that has no impact towards stock price of state-owned banks in Indonesia, it shows that the liquidity performance of state-owned banks represented by the LDR who is not a concern for the public or investors. Basically, LDR is an assessment that shows the difference between funds collected from the public and funds lent to the public, through this measurement the effectiveness of the bank in maintaining its liquidity related to cash activities sourced from liquid

products it collects, such as current accounts and saving accounts (CASA) will be seen. If the LDR percentage is not maintained properly, the potential for liquidity risk will be large, therefore Bank Indonesia has set the lowest LDR limit at 78 percent with the highest at 92 percent. This LDR was indicate that it has a positive impact on stock prices, which meaning that a decrease in the level of liquidity will increase the stock price of state-owned banks in Indonesia. If you look at these results, it could be interpreted that public or investors needs to pay more attention to the percentage of credit lent to the public than the idle money available to maintain the liquidity.

The profitability ratio which represented by return on assets (ROA) had an positive and insignificant impact towards stock prices of state-owned banks in Indonesia during this research period, it shows that the profitability performance of state-owned banks represented by ROA is not a concern for the public or investors. These research results was indicated that ROA could not capable to play its role as mediator to influence between CAR and LDR towards stock prices, this because CAR and LDR had a negative impact on ROA and on the other hand ROA does not have a significant impact on stock prices. Basically ROA is an measurement which could shows the percentage of a bank's profit generated from managing its assets, meaning that ROA measured the effectiveness of a bank in managing all its assets thus it could generate net income. If the public or investors do not make ROA as their concern in buying or selling their stocks, so it could be interpreted that their prioritize risk factors as has been proven from the significant impact from CAR to stock prices. If the profitability ratio represented by CAR is an investment category which is low risk low profit then the profitability ratio represented by ROA is an investment category which is included in high risk high profit, so it could be said that public or investors did not prioritize its high profits but low risks in stocks buying of state-owned banks in Indonesia.

The government is responsible controlling the management of state-owned banks in Indonesia in order to improve and maintain the performance of these banks. State-owned banks in Indonesia are pillars of Indonesia's economic and development financing, if the quality could be improved then the comfort and trust of the public likewise increase so these banks could raise more funds which will lead to the availability of capital for development projects. The public or investors are expected to be able to adjust to the economic conditions first before starting to invest, this is considered to be important because it is related to the risks that will arise due these global competition.

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