



The influence of debt equity ratio and times interest earned ratio through return on assets on banking companies' share price

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ABSTRACT

The financial performance of a company significantly influences its valuation, reflected in share prices and serving as a comprehensive measure of overall health and profitability. This research delves into the intricate interplay of microeconomic and macroeconomic environments on a company's performance, focusing on the Debt Equity Ratio (DER) and Times Interest Earned (TIE) as key determinants of stock prices in banking institutions. The mediating role of Return On Assets (ROA) is considered in this analysis. Employing the multiple regression statistical method, the study aims to reveal the relationships between independent and dependent variables while accommodating intervening variables. The objective is to present empirical data supporting formulated hypotheses, providing valuable insights into the financial dynamics of banking institutions.

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1. INTRODUCTION

In the intricate tapestry of financial dynamics, microeconomic and macroeconomic forces interweave, giving rise to a complex landscape characterized by company performance, financial statement intricacies, dividend distribution modalities, fluctuations in foreign exchange rates, interest rate volatilities, and the regulatory imperatives emanating from governmental directives (Estininghadi et al., 2019). (Kurniawati, O et al., 2021) elucidate the analytical process entailed in dissecting financial reports, emphasizing the amalgamation of quantitative and non-quantitative data to distill nuanced insights crucial for cultivating a holistic understanding of the financial panorama.

Solvency, as the fulcrum of financial management, encapsulates an entity's capacity to fulfill immediate financial obligations while concurrently ensuring sustained long-term growth. Within this intricate framework, the Debt Equity Ratio (DER) and Times Interest Earned (TIE) emerge as sentinel metrics, offering nuanced perspectives on financial health. These ratios transcend mere numerical representations; they are pivotal indices influencing investor decisions and casting profound implications on stock valuations.

This research contributes to the theoretical landscape by elucidating the intricate relationships between DER (Debt to Equity Ratio), TIE (Times Interest Earned), ROA (Return on Assets), and their collective influence on the Share Price of banks. The findings extend existing financial theories by providing empirical evidence of the nuanced interplay between financial

leverage, interest coverage, and profitability in shaping market valuations. Furthermore, the identification of ROA as an intervening variable adds a layer of complexity to existing theoretical frameworks, necessitating a reevaluation of models that traditionally consider these factors in isolation. The practical implications of this research are manifold, particularly for investors engaged in rigorous financial analysis prior to making investment decisions. The insights garnered from this study offer investors a more comprehensive understanding of the factors influencing bank Share Prices. Specifically, the discernment of DER, TIE, and ROA as significant determinants underscores the importance of assessing a bank's financial structure, interest coverage capabilities, and overall profitability when gauging its investment potential. Consequently, practitioners in the financial industry can leverage these findings to refine their investment strategies, enhancing their ability to make informed decisions based on a thorough evaluation of a bank's financial health.

Shares are a sign of equity participation from a person or business entity in a limited liability company. Share return is the result of gains (Capital Gain) or losses (Capital Loss) obtained from buying financial assets or investing in shares (Andriani, 2020). Share price refers to the market price of shares traded on an exchange. The determination of share valuation is influenced by various elements, encompassing intrinsic attributes of the company, prevailing industry attitude, market perception, and the interaction between supply and demand dynamics within the market. The values of shares are frequently impacted by fundamental aspects of a firm, like its revenue, net profit, revenue growth, and operating efficiency. (Malini, 2021a) asserts that the intrinsic value should give details of company's current conditions while also forecasting expected returns by future investors. Investors can analyze the company's efficiency in making decisions to buy shares, which will have an impact on rising share prices (Candra et al., 2021).

Banking is every single thing related to banks, encompassing business activities, institutions, as well as the methods and processes involved in conducting their business operations. Bank is simply financial institution whose primary business activities call for gathering funds from public and subsequently distributing those funds back to the public on demand while also providing other financial services (Utama S.A, 2020). The risks faced by the banking sector are events that can either trigger potential opportunities that have been planned for or unexpected ones, causing various negative impacts related to a bank's income and capital (Fathanah Radiyyah et al., 2022). While most of the research strongly concluded the growth of the financial industry and its factors, it is necessary to do further study for industry's growth and potential. Responding to previous research, there is a high raise in demand for development for future prospects in the industry (Malini, 2021b).

The solvency ratio or leverage ratio, according to (Levina S et al., 2019) is the ratio used to measure portion of a company's assets funded by debt. Meanwhile, according to (Mahulae D, 2018), Solvency pertains to the capacity of a corporation to fulfill its financial commitments through the process of converting its assets into cash. The solvency ratio provides an indication of the proportion of a company's assets that are financed through debt. (Kurniawati. O et al., 2021). The creditworthiness of a corporation has the potential to impact investment decisions and alternative finance choices. Investors commonly seek out organizations that exhibit favorable creditworthiness, as it serves as an indicator of financial stability and the company's capacity to fulfill its debt obligations. Furthermore, it should be noted that a company's capacity to secure loans at reduced interest rates might also be influenced by its elevated credit rating, according to (Catherine et al., 2020),

(Putri et al., 2021) The impact of transparency in sustainability reports on financial performance is found to be significant primarily in the social component, whereas it does not exhibit a significant influence on financial performance in the economic and environmental aspects. (Kartini, 2023) The transparency of sustainability reports in the economic and environmental aspects has a significant beneficial impact on a company's financial success. Nevertheless, the level of transparency exhibited in sustainability reports pertaining to the social component has a little nevertheless positive impact on a company's financial success. The Debt to Equity Ratio provides insights into the capital structure of a firm by indicating the proportion of funds obtained from external sources (i.e., borrowing) relative to those contributed by the company's owners.

Nevertheless, it would be advantageous for corporations to possess a larger debt-to-equity ratio (Rusdiyanto et al., 2020). Debt to equity ratio varies depending on the business, characteristics and cash flow management. Companies with stable cash flow tend to have a higher ratio than less stable cash ratio (Rusdiyanto et al., 2020).

Debt ratios are fundamental in financial analysis and investment decision-making. Debt Ratios provide overviews of the company's financial risk and the use of debt for financing. Investors and creditors often use DER to measure a company's financial stability and solvency. DER can influence a company's financial decisions. Companies with high DERs may have difficulty obtaining new loans or may be able to obtain loans at higher interest rates. Additionally, companies with low DER are more likely to obtain loans at lower interest rates and have better financial flexibility. DER can also be used to compare capital structures between companies in the same industry. Comparing DER between companies can provide insight into the effective use of debt in company finances and introduce different financial policies. In practice, if the company's leverage ratio is high, the company's financial risk is greater. However, companies also have the opportunity to gain greater profits if the company can process this debt for investment in assets (Pratama et al., 2021).

(Ratnasari P et al., 2019), higher leverage ratio will raise the risk and raise return rate demanded by investors. Stracca (2004) Stock price frequently drifts because of investors' intention to avoid risk. "High Risk High Return" statement is an empirical statement came from Markowitz (1959) may cause people to wonder whether higher risk will eventually lead to higher return (Malini, 2021a). According to research done by (Rachmat Sofian et al., 2020), Debt Equity Ratio does not significantly affect Return On Assets (H1. Debt Equity Ratio does not have significant effect on Bank's ROA). According to research done by (Dewi & Suwarno, 2022), Debt Equity Ratio significantly affect Share Price (H2. Debt Equity Ratio significantly affects Bank's Share Price).

According to (Yunita et al., 2019), TIE is a metric used to measure the degree of confidence in fulfilling the interest payments linked to long-term debt. TIE is a financial indicator utilized to assess a company's capacity to fulfill its interest payments by quantifying the number of times it can do so. The assessment of the company's capabilities is conducted by quantifying its EBITDA (Farah et al., 2021). According to (Erlian et al., 2019), The Times Interest Earned TIE ratio is determined by dividing the Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) by the interest expenses accrued by the company. A larger interest coverage ratio (TIE ratio) signifies a company's enhanced capacity to fulfill its interest payment commitments and a greater probability of obtaining future loans, hence optimizing its profitability. The TIE ratio holds significant importance in the realm of financial analysis and the evaluation of firm risk. The aforementioned ratio serves as a metric for evaluating the long-term viability of a company's interest payments, offering a comprehensive assessment of the company's financial capacity to fulfill its interest obligations.

The TIE ratio has the capacity to influence the financial decision-making of a firm. Investors and creditors utilize the TIE ratio as a means to assess the financial risk inherent in a firm and ascertain the sustainability of its interest payments over the long term. Organizations that possess a high-interest coverage ratio (TIE ratio) are more likely to secure loans at more favorable interest rates. Conversely, organizations with a low TIE ratio may encounter difficulties in obtaining fresh loans or may be subject to higher interest rates. The TIE ratio can also serve as a means to evaluate and compare the financial performance of different companies operating within the same industry. The utilization of financial leverage has the potential to yield favorable outcomes in terms of enhancing profitability during periods of favorable economic conditions. Meanwhile (Avistasari et al, 2020), the company's ability to pay off all of its debts can be seen through the TIER ratio. An increase in company profits indicates a good TIER. The effect of cash ratio, interest earned over time and ROE on ROE in banking companies listed on IDX30 for the 2013-2017 period (Angellia et al., 2018). According to research done by (Erlian et al., 2019b), Times Interest Earned Ratio significantly affect Return on Assets (H3. Times Interest Earned Ratio has a significant effect on Bank's ROA), according to research done by (Siswanti T, 2023) Times Interest Earned Ratio does not have significant effect on Share Price (H4. Times Interest Earned Ratio does not have significant effect Bank's Share Price).

ROA indicates the return on the assets of a company. Furthermore, ROA provides a measurement of management effectiveness in managing its investments (Wijaya, 2019). According to (Nurain Al Fatin, 2020), "Return On Total Assets. The comparison between net profit and assets combined measures the level of return on all investment combined, or ROI". The high-profit level and the achievement of the company's target is the reason company perform as to make many investors persuaded to invest in the company. Higher company profits will affect to higher return rates, which would be received as encouragement for investors, thus raising the share price of the company (Fitriyah & Fauzan, 2020). According to research done by (Dewi & Suwarno, 2022), Return On Assets significantly affect Share Price (H5. ROA significantly affect Bank's Share Price)

2. RESEARCH METHOD

This study utilized a quantitative research methodology to examine the influence of two independent variables, specifically the DER (X1) and TIE (X2), on the dependent variable, Share Prices (Y), in the setting of banking organizations. The research employed a quantitative methodology, which entailed gathering data from publicly recorded financial statements on the Indonesian Stock Exchange (IDX) using a purposive sampling method. The dataset utilized in this study predominantly consists of quantitative data, encompassing numerical measurements such as closing prices of shares and beta values. The data utilized in this study was obtained from data gathering organizations or obtained indirectly from the respective enterprises. The research population comprises all the shares listed on the IDX (Indonesia Stock Exchange), while the sample selection technique involved a careful selection of shares that meet specific criteria set by the researcher. The selection criteria employed in this study encompass banking institutions that are categorized as firms, which are required to produce annual financial statements. Additionally, these institutions must possess closing price data for the years 2020, 2021, and 2022.

In the field of panel data analysis, there exist three prominent models that hold significant significance: the Fixed Effect Model, Random Effect Model, and Common Effect Model. The process of choosing a model is a fundamental and pivotal step inside the analytical framework. Researchers often utilize diagnostic tests to improve their decision-making process. The Chow test is an illustrative instance of a statistical test employed to identify the presence of a probable structural break within the dataset. Comprehending this concept is crucial in order to evaluate whether the relationships under investigation have undergone any notable alterations over a specific duration. The detection of structural discontinuities allows for evaluating the appropriateness of a specific model for the entire dataset or, alternatively, identifying alternative models that may be better suited for different time periods. However, the Hausman test is a useful tool for evaluating the reliability of the Random Effect Model. The present investigation aims to examine the hypothesis positing the absence of any association between the regressors and the individual-specific effects. If it is determined that this assumption is not accurate, it implies that the Random Effect Model may not be the best appropriate option and that an alternate model should be taken into account.

Furthermore, the Lagrange Multiplier (LM) test is frequently employed to assess the comparative effectiveness of the Fixed Effect Model when compared to the Random Effect Model. The purpose of this assessment is to determine the necessity of incorporating unobserved individual-specific effects into the model. If the Lagrange Multiplier (LM) test suggests the existence of individual-specific effects, it is advisable to utilize the Fixed Effect Model instead of the Random Effect Model. The selection of an appropriate model for conducting panel data analysis is partially impacted by the collective findings of these investigations. It is imperative to acknowledge that although these tests may not provide a definitive outcome in isolation, they have significant importance in the process of model selection, guaranteeing that the chosen model adequately corresponds to the underlying structure of the data.

2.1 Data analysis technique

a. Determination Coefficient Test (Adjusted R Square)

The adjusted R-square test is employed to assess the overall explanatory power of a regression model involving multiple independent variables (X_n) in predicting the variance in the dependent variable (Y). Unlike the regular R-square, the adjusted R-square takes into account the number of predictors in the model, providing a more nuanced evaluation of the model's goodness-of-fit.

b. Hypothesis testing

The partial t-test is utilized to analyze the specific influence of the independent variable (X_n) on the dependent variable (Y). The determination of statistical significance is based on the assessment of the significance level, typically set at a threshold of 5% or 0.05.

The F-test, also known as the simultaneous test, is employed to evaluate the collective impact of multiple independent variables (X_n) on a dependent variable (Y). The assessment of statistical significance involves the examination of the significance level, which is commonly established at a threshold of 5% or 0.05. This analysis is conducted to ascertain whether the observed outcomes possess statistical significance.

3. RESULTS AND DISCUSSIONS

Descriptive statistics are utilized in research to analyze and present data in its original, unaltered form, without the aim of drawing universally applicable or general conclusions. This approach allows for a detailed portrayal and understanding of the collected data. Here are the results of the descriptive statistics tests:

Table 1. Descriptive Statistical Test Results

	DER (X1)	TIE (X2)	ROA (Z)	Share Price (Y)
Mean	4.984	0.641	0.002	1880.300
Maximum	16.080	7.201	0.084	16000.00
Minimum	0.080	-7.095	-0.180	50.00000
Std. Deviation	2.977	1.557	0.028	2538.369
Observation	135	135	135	135

Source: Results of processing using Eviews 12

The provided data presents a descriptive analysis of four financial metrics, specifically the DER, TIE, ROA, and Share Price. The Debt-to-Equity Ratio exhibits an average value of 4.984, with a maximum value of 16.080 and a minimum value of 0.080. The data points demonstrate an average deviation of 2.977 units from the mean. The Times Interest Earned indicator demonstrates an average value of 0.641, a maximum value of 7.201, and a minimum value of -7.095, indicating the potential presence of financial distress. Furthermore, the metric exhibits a standard deviation of 1.557. The mean ROA is 0.002, with a range from -0.180 to 0.084. This range indicates the potential for experiencing asset losses. The computed standard deviation for the ROA is 0.028. The mean share price is documented as 1880.300, exhibiting a high value of 16,000 and a minimum value of 50. The observed data points demonstrate significant dispersion from the average value, as seen by a standard deviation of 2538.369. The dataset comprises 135 observations for each of the aforementioned metrics. It is imperative to emphasize that while these data provide valuable insights, doing a comprehensive assessment of financial performance requires the use of industry-specific benchmarks and a more extensive contextual analysis. Additional investigation is necessary to explore potential financial concerns arising from the presence of negative values in the metrics of TIE and ROA.

3.1 Determination of Panel Data Regression Model

Table 2. Determination of DER, and TIE models for ROA

Regression Model Test	Cross Section
Chow	0.0000
Hausman	0.5987
Lagrange Multiplier	0.0001

Source: Results of processing using Eviews 12

The use of the Chow test yielded a probability value of 0.0000, which suggests statistical significance at a significance level below the usually accepted threshold of 0.05. According to recognized research practices, the fixed effect model is considered the best option when the p-value is less than 0.05. The selection of the fixed effect model precedes the determination of the optimal model between the random effect model and the common effect model. The evaluation utilizes the Hausman test, and the acquired results suggest a p-value of 0.5987, which above the specified significance limit of 0.05. Considering that the observed p-value above the predetermined significance level of 0.05, it is deemed more suitable to employ the random effect model. Following that, the Lagrange Multiplier test was performed in order to ascertain the suitability of the random effect model as the most optimal choice. The test findings received reveal a probability value of 0.0001, which once again falls below the preset significance level of 0.05. Based on the statistical data obtained from the Lagrange Multiplier test, it can be inferred that the random effect model is the most appropriate model for our investigation.

Table 3. Determination of DER, TIE, and ROA models for Share Price

Regression Model Test	Cross Section
Chow	d0.0000
Hausman	0.5155
Lagrange Multiplier	0.0000

Source: Results of processing using Eviews 12

Based on the outcomes of the Chow test, the p-value is 0.0000, indicating statistical significance at a conventional alpha level of 0.05. In accordance with established research practices, the fixed effect model is frequently employed in cases where the p-value falls below the threshold of 0.05. Therefore, it is necessary to select the fixed effect model. The final phase entails determining the most suitable classification for the model, namely whether it should be categorized as a random effect or a common effect. In order to resolve this concern, it is imperative to do an additional statistical investigation, specifically the Hausman test. The results of the Hausman test revealed a p-value of 0.5155, surpassing the specified significance threshold of 0.05. Given the prevailing situation, the random effect model is considered to be the more preferable option, as its probability value surpasses the threshold of 0.05. During the selection step, the Lagrange Multiplier test was performed, which led to the preference for the random effect model. The test results revealed a probability value of 0.0000, which once again demonstrates statistical significance as it is below the preset threshold of 0.05. Based on the statistical data derived from the Lagrange Multiplier test, it can be inferred that the random effect model continues to be the most appropriate selection for our investigation.

3.2 Regression Results of the Effect of DER, TIE on ROA

Table 4. Data Regression Panel Random Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.009017	0.003763	-2.396324	0.0180
X1	0.000322	0.000615	0.522780	0.6020
X2	0.014933	0.001025	14.58380	0.0000
R ²			0.620448	
Adjusted R ²			0.614697	
F-statistic			107.8891	
Prob F-statistic			0.000000	

Source: Results of processing using Eviews 12

The panel data regression analysis has been conducted based on the obtained results. The equation for the Random Effect Model is as follows:

$$Z = -0.00901738364129 + 0.00032153819679 \cdot X1 + 0.014932779307 \cdot X2 + \varepsilon$$

3.3 The regression equation can be explicated in the subsequent manner:

The variable ROA (Z) is assigned a value of -0.009 when the variables DER and TIE are judged to be zero or undefined, as evidenced by the constants (a) having a value of -0.009. After

taking into account all other independent variables, it becomes evident that the variable DER (X1) demonstrates a positive coefficient of 0.0003. This suggests that, under the condition that all other factors remain constant, a marginal increment of one unit in the debt-to-equity ratio (DER) will lead to a proportional augmentation of 0.0003 in the ROA. When holding all other independent variables at constant values, the variable TIE (X2) exhibits a positive coefficient of 0.014. This discovery suggests that a slight increment of one unit in TIE has a positive correlation with a 0.014 unit rise in ROA.

The value of Adjusted R-Square, as indicated in Table 4, is 0.614697. The results suggest that variables X1 and X2 have the ability to account for approximately 61.4% of the overall variability seen in Variable Z. It is plausible that the unaccounted 38.6% of the variability is influenced by other factors that were not taken into consideration throughout the inquiry. The results of this analysis indicate that the DER and TIE factors account for 61.4% of the variability observed in the ROA variables, leaving the remaining 38.6% to be influenced by additional variables.

Based on the data presented in Table 4, it can be deduced that the probability density function (pr. DER) value of 0.6020, exceeding the significance level of 0.05, suggests that the variable denoting the debt equity ratio (DER) lacks a statistically significant impact on the bank's ROA. The findings of this study provide empirical evidence in favor of accepting the null hypothesis (H1), which suggests that the debt equity ratio has a limited impact on the bank's return on assets. The coefficient estimate of 0.0003 for the DER variable suggests a statistically significant positive association between the Debt-to-Equity Ratio (DER) and the ROA. The subsequent procedure involves the determination of the assigned numerical value for the variable denoted as "prob." The coefficient value of 0.0149 suggests a statistically significant positive relationship between the Times Interest Earned TIE ratio and the bank's return on assets. The statistical analysis indicates that the p-value associated with the TIE variable is below the preset significance threshold of 0.05. The findings of this research demonstrate a significant association between the TIE and the Bank's ROA. This discovery provides evidence in favor of hypothesis H3, which posits that the TIE variable significantly affects the Bank's ROA and is judged valid. Based on the data presented in Table 4, the computed probability value (p-value) for the F statistic is 0.000000. The obtained result indicates statistical significance at a significance level of 0.05. The findings of this study indicate that the variables TIE and DER have a statistically significant concurrent influence on the return on assets of banking institutions.

Regression Results of the Effect of DER, TIE, ROA on Share Price

Table 5. Data Regression Panel Random Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1816.149	546.3520	3.324137	0.0012
X1	-68.95938	84.80440	-0.813158	0.4176
X2	691.7380	186.5769	3.707522	0.0003
Z	-16588.52	9679.370	-1.713802	0.0889
	R ²		0.124793	
	Adjusted R ²		0.104750	
	F-statistic		6.226308	
	Prob F-statistic		0.000550	

Source: Results of processing using Eviews 12

Based on the results of panel data regression has been done. Random Effect model will get following equation:

$$Y = 1816.14917945 - 68.959379485 * X1 + 691.738026257 * X2 - 16588.5220363 * Z + \varepsilon$$

3.4 The regression equation may be understood in the following manner:

The value of the constant term (a) in the equation is 1816.14. This finding indicates that in the absence or disregard of the variables DER, TIE, and ROA, the estimated value of the Share Price (Z) variable is 1816.14. The variable DER (X1) has a negative coefficient of -68.95, indicating

that, while keeping all other independent variables constant, an increase of one unit in DER will lead to a reduction of -68.95 in Share Price. The variable TIE (X2) demonstrates a statistically significant positive coefficient of 691.73. This indicates that, when controlling for the effects of other independent variables, a one-unit increase in TIE is associated with an expected increase in Share Price of 691.73. The variable ROA (Z) demonstrates a positive coefficient of 16588.52, indicating that a one-unit increase in ROA, while keeping other independent variables constant, is linked to a concurrent rise in Share Price by 16588.52.

Based on the results displayed in Table 5, it can be inferred that the Adjusted R-Square value of 0.074 indicates that the collective influence of variables X1, X2, and Z explains approximately 10.4% (0.104750) of the observed variability in the Y variable. The research does not account for the remaining 89.6% of the variation, which is attributed to other causes. This suggests that the explanatory variables of DER, TIE, and ROA explain 10.4% of the variance in the profit growth variable, while the remaining 89.6% can be attributable to other factors.

Based on the results displayed in Table 5, the probability value of 0.4176 indicates that the variable DER does not possess a statistically significant influence on the Share Price (H2). Consequently, it can be inferred that the Debt Equity Ratio does not exert a substantial impact on the Bank's Share Price, leading to the rejection of this hypothesis. The coefficient value assigned to the DER variable is -68.959, suggesting a detrimental effect on the Bank's Share Price. In the following section, we will examine the significance of the probability variable. The statistical analysis demonstrates that the obtained p-value of 0.0003 is below the predetermined significance level of 0.05. This suggests that there is sufficient evidence to conclude that the Times Interest Earned TIE variable exerts a statistically significant influence on the Bank's Share Price. The present discovery provides evidence for the alternative hypothesis (H4) positing that the Times Interest Earned Ratio does not exert a statistically significant impact on the Bank's Share Price, hence leading to its rejection. Moreover, the coefficient of 691.738 indicates a favorable impact of TIE on the Bank's Share Price. Furthermore, the variable ROA is associated with a probability value; however, no additional information is supplied regarding the specifics of this value. The comparison between the values 0.0889 and 0.05 implies that the coefficient value of -16588.52 demonstrates that the variable ROA does not exert a significant negative influence on the Bank's Share Price. The present discovery refutes hypothesis H5, which posits that the Return on Assets exhibits a substantial impact on the Share Price of the Bank. Based on the facts shown in Table 5, it can be inferred that the calculated probability value of 0.000550 is below the predetermined significance level of 0.05. The aforementioned discovery indicates that the variables DER, TIE and ROA exert a statistically significant influence on the Share Price of banks.

3.5 Discussion

The calculated probability value of 0.6020 for the DER exceeds the generally acknowledged significance level of 0.05. The findings suggest that there is no statistically significant relationship between the DER variable and the ROA of the bank. The findings indicated above are consistent with previous empirical studies conducted by Rachmat Sofian et al. (2020), which reached a similar conclusion that the Debt Equity Ratio does not have a substantial effect on Return On Assets. The rationale for adopting Rachmat Sofian's research lies in the analysis of the Debt Equity Ratio. The makeup of these resources encompasses both loan and equity components, with a significant share being derived from client deposits and diverse funding sources. In such cases, the degree of statistical significance pertaining to the influence of the Debt Equity Ratio on the Return on Assets may not be deemed significant. This phenomenon can be attributed to the incorporation of funds from several sources in the ratio, potentially leading to the dilution or masking of its influence on ROA due to the concurrent presence of other financial variables. The absence of statistical significance in the correlation between the Debt to Equity Ratio and ROA can be attributed to the many sources of the financial components that comprise the ratio, hence reducing its isolated influence. This highlights the need of considering the complex interaction of several financial factors when assessing their impact on a bank's Return On Assets.

The probability value associated with the DER, namely 0.4176, above the standard significance level of 0.05. The results indicate that there is no statistically significant relationship

between the variable DER and the Share Price. The current findings appear to contradict the results of a study conducted by Dewi and Suwarno (2022), which proposed that the Debt Equity Ratio does have a significant impact on Share Price. The discrepancy noticed between these findings and the earlier study done by Dewi and Suwarno can be attributed to the unique circumstances that are associated with banks acting as intermediaries. Banks often exhibit distinctive characteristics as compared to other industries. A noteworthy distinguishing feature is the substantial allocation of their financial resources categorized as debt, primarily consisting of consumer deposits. The potential consequences of implementing this unique financial arrangement include the possibility of unorthodox distributions of debt and equity ratios inside banking organizations.

The idiosyncrasies in the financial practices of banks can potentially result in divergent interpretations among investors. Banks may encounter a heightened debt load on their financial records as a result of the existence of escalated quantities of documented debt, primarily consisting of consumer deposits. However, this does not necessarily lead to a negative assessment from investors. Many investors have knowledge of the attribute displayed by banks and may not hesitate to invest in them, despite the seemingly high levels of debt. The importance of considering industry-specific dynamics and the complexities of financial indicators when analyzing the impact of variables like the Debt Equity Ratio on Share Price is underscored by the disparity between the findings of this study and the research conducted by Dewi and Suwarno. The apparent insignificance of the DER variable in the banking sector may be ascribed to the distinctive attributes of their financing framework, which might exhibit substantial variations in comparison to other industries.

The calculated probability value for the TIE, denoted as 0.0000, falls below the generally acknowledged significance threshold of 0.05. The aforementioned finding suggests that the TIE variable exerts a statistically significant influence on the ROA. The results reported in this study align with the research conducted by Erlan et al. (2019b), which also indicated a significant relationship between the TIE and a bank's ROA. The justification for endorsing Erlan's study is based on the structure of the ROA, which encompasses the bank's profitability and asset base. The significance of the TIE ratio resides in its capacity to offer valuable insights into the operational profitability of a bank. Therefore, a higher Times Interest Earned TIE ratio indicates a more favorable level of returns generated relative to interest payments. One could suggest that a rise in the Total Interest Expense of a corporation could potentially yield a favorable effect on its ROA. When a financial institution is capable of generating greater returns in relation to its interest obligations, this ability to produce profits may have a positive impact on the overall ROA. The results indicated above emphasize the significance of the TIE variable as a key factor in determining a bank's financial performance and support its inclusion in predictive models utilized for assessing the ROA in the banking sector.

The observed probability value for the TIE, denoted as 0.0003, is found to be lower than the conventional significance level of 0.05. The results of the analysis indicate that the TIE variable has a statistically significant impact on the Share Price of the bank. However, the conclusions of this study appear to be in contrast with the results of a prior research conducted by Siswanti (2023), which suggested that the TIE did not have a significant influence on Share Price. The divergence between the present findings and the research carried out by Siswanti T can be attributed to other factors. The TIE variable, frequently employed to evaluate a bank's ability to generate profits from debt, may not be the sole determinant impacting Share Price. Investors commonly employ a comprehensive approach when assessing the stock of a bank, which involves considering several financial indicators and external factors. Furthermore, it is imperative to recognize that the assessment of the TIE ratio among various banks might display significant discrepancies due to various factors, including the bank's capital structure, operational efficiency, and debt composition. The divergence in interest coverage ratios TIE among banks can lead to disparate reactions and interpretations from investors, hence presenting challenges in creating a generally applicable correlation between TIE and share price. The findings of this study emphasize the idea that while TIE can have a significant impact on Share Price, it is not the sole factor that shapes investors' decision-making processes. The link between TIE and Share Price is influenced

by a complex interplay of several financial indicators, external factors, and investor sentiments. These factors contribute to the observed variations in research findings.

The observed probability value for ROA, which is measured at 0.0889, exceeds the usual significance threshold of 0.05. The results suggest that there is no statistically significant relationship between the variable reflecting ROA and the bank's Share Price. However, the aforementioned data appear to contradict the research conducted by Dewi and Suwarno (2022), whose investigation identified a significant correlation between ROA and Share Price. The disparity observed between the present findings and the research done by Dewi and Suwarno can be attributed to the complex interaction of multiple factors that influence Share Price. It may be deduced that an improved ROA would exert a positive influence on the Share Price of a bank. Nevertheless, investors often consider a plethora of aspects while assessing an investment opportunity. Investors partake in the practice of analysis and may consider additional elements that go beyond the scope of ROA. The ROA can be influenced by various factors, including the divestiture of assets. This particular undertaking possesses the capacity to briefly augment the ROI while concurrently diminishing the total value of assets, so leading to an elevated ROA. The atypical circumstances may lead investors to interpret the ROA in a unique way, perhaps diverging from its association with a positive trend in stock prices. In summary, while it is reasonable to anticipate a positive relationship between ROA and Share Price, investors consider other factors and do thorough assessments. The presence of these diverse variables possesses the capacity to contribute to the disparities noticed between research findings and empirical results, hence highlighting the intricate and nuanced nature of financial markets and investor behavior.

4. CONCLUSION

The outcomes of this investigation, grounded in a scrupulous analysis of select banking institutions within specific temporal parameters, engender profound insights into the intricate interplay among Debt Equity Ratio (DER), Times Interest Earned (TIE), Return on Assets (ROA), and Share Prices. Antecedent research findings form the bedrock for comprehending the nuanced relationships within these financial metrics. The identified positive, albeit statistically negligible, influence of DER on the ROA of banks underscores the nuanced equilibrium inherent in the financial operations of these institutions. The ascertained negative impact on share prices, while lacking statistical significance, intimates at the intricate interrelation between leverage and market perceptions. Given the propensity of banks to operate with a substantial debt component, these findings accentuate the imperative for a granular examination of the DER's ramifications on both operational efficacy and market valuation. In contradistinction, Times Interest Earned (TIE) emerges as a robust contributor to favorable and statistically significant impacts on both ROA and share prices. This observation coheres with the intrinsic nature of the TIE ratio, providing nuanced insights into a bank's operational profitability vis-à-vis interest obligations. The repercussions of TIE extend beyond mere financial metrics, delving into market sentiments and investor perceptions, as borne out by its discernible influence on share prices. The discerned negative impact of ROA on Share Price, notwithstanding its lack of statistical significance, prompts contemplation on the intricate determinants influencing market valuation. ROA, as an intervening variable, intricately weaves itself into the narrative of share prices, suggesting the intricate interplay of profitability and market dynamics. Exploring the interrelationship between DER and TIE reveals a collective influence on ROA, emphasizing the imperative of a holistic understanding of these financial metrics. The convergence of DER, TIE, and ROA collectively shapes the share prices of banks, substantiating the interconnected nature of these financial indicators. This research essentially deepening our understanding of the interconnected nature of financial indicators in the banking industry, aiming to provide valuable insights for investors and regulators, ultimately advancing our understanding of the intricate relationship between financial metrics and performance dynamics. Overall, the research essentially contributes to a more comprehensive understanding of the intricate relationships shaping financial performance and market valuation in the banking industry.

The study, contextualized within the banking industry, urges caution against overgeneralization to diverse sectors. The delimited temporal scope from 2020 to 2022 underscores the necessity for future investigations that encompass more protracted periods. The

exclusivity of DER and TIE as independent variables underscores the need for future studies to explore hitherto neglected variables, thereby enriching our comprehension of the underlying dynamics. The research advocates for an in-depth analysis of banking institutions, acknowledging their distinctive attributes and pivotal role as intermediaries between investors and debtors. The researcher propounds expansive future studies, urging researchers to extend their temporal scopes, diversify sectors, and incorporate international banks beyond the confines of Indonesia. This inclusive approach promises a more comprehensive outlook and nuanced findings. Situated within the realm of distinctive banking characteristics, this study aspires to furnish valuable insights for investors and regulators, signifying the perpetual pursuit of augmenting our understanding of the intricate relationship between financial metrics and performance dynamics.

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