THE ANALYSIS OF PT. BANK INTERNASIONAL INDONESIA FINANCIAL PERFORMANCE TOWARDS INVESTORS’ CONFIDENCE

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This thesis entitled with “The Analysis of PT. Bank Internasional Indonesia Financial Performance towards Investors’ Confidence” prepared and submitted by Shiella in partial fulfillment of the requirements for the degree of Bachelor of Economy majoring in Management with a concentration of Banking and Finance have been reviewed and found to have satisfied the requirement of a thesis fit to be examined. I therefore recommend this thesis for Oral Defense.

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This thesis entitled “The Analysis of PT. Bank Internasional Indonesia Financial Performance towards Investors’ Confidence” prepared and submitted by Shiella in partial fulfillment of the requirements for Bachelor Degree in Economics Major in Management has been reviewed and found to have satisfied the requirements for a thesis fit to be examined.

Cikarang, Indonesia, December 21st, 2011

The researcher,

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ABSTRACT

Nowadays, investors appear in much type of trading behavior and many types of the investor itself. It is happening because of the mind-set of each investor and based on the financial performance of the company. Investor tends to have the stock based on the company financial performance.

The objective of this research is to analyze of PT. Bank Internasional Indonesia (BII) financial performance towards investors’ confidence. The main factor that will be discussed in this research would be financial performance of BII and the investor confidence.

This research was designed using quantitative research which involves analysis of numerical data in an attempt to explain the matters observed. This research is using secondary data. The data of this research were gathered from Indonesia Stock Exchange and Indonesian Capital Market Directory since 1997 to 2007.

This research is using calculation from each ratio and using a multiple regression model from Statistical Package for the Social Sciences 17. The finding has stated that there is significance impact between financial ratios from the BII financial performance toward the investor confidence.
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CHAPTER I

INTRODUCTION

1.1 Background of the Study

Since the crisis hit Indonesia, so many banks went bankrupt and some were taken over by the government of Indonesia. Some banks bought by other banks. One of the banks is BII which is 56% owned by Maybank from 1998 until 2007 and valued as USD 1.5 billion. Since BII fully managed by Maybank on 2008, BII seem to regain its performance as in the previous time. Maybank took the rest of 44% of BII shares that worth USD 1.2 billion. The total shares that taken over by Maybank towards BII is USD 2.7 billion. (retrieved from: http://www.kompas.com/lipsus052009/antasariread/2008/03/26/12021810/bii.dibeli.maybank.malaysia, in January 2012). The price of the market capitalization itself it’s becoming better now at USD 38.19 trillion as the end September 2011. (retrieved from: http://www.bii.co.id/investor/presentation/Pages/Presentation.aspx, in January 2012)

As any company listed in Stock Exchange are subject to be bought by investor, so is BII.

Hence this research is conducted to find out some of the critical factors of BII’s performance to be considered by investor before they buy the share.

The topic of this discussion is chosen because when the global crisis hit Indonesia, BII made a bad financial performance for several years. The investors who want to buy the stock of BII should clearly find out whether the financial performance of BII is good and will always good or the other side it will be bad as like as the financial crisis happens until several years after the crisis happens. Every company that is listed in stock exchange should have their own market ratio. It is to measure investor response to
owning a company's stock and also the cost of issuing stock. The importance is to make sure the investors wants to buy BII’s stocks because it is one of the largest banks in Indonesia.

The reason why BII has been chosen in this research is because this is one of the largest banks in Indonesia and the global crisis had changed everything. Maybank also completed the acquisition of BII and start to rebuild a good financial performance to get the investor’s confidence on purchasing BII’s stocks. This research is very important to BII because the researcher wants to know the effect from the performance of BII towards the market ratio which is concerning on the value of return on investment for shareholders, and with the relationship between return and the value of an investment in company’s shares.

1.2 Company Profile

PT. Bank Internasional Indonesia Tbk. (BII) is one of the leading private national banks in Indonesia. The services offered by this bank are Credit Cards, Mortgages, Deposit, Lending, Wealth Management Services, Trade Finance, Cash Management, Custody, and Foreign Exchange. Before the global crisis, BII has already made the Initial Public Offering in 1989. BII is also called as BNII based on the listing company index in Indonesia Stock Exchange. During the global crisis, Maybank completed the acquisition of BII and own 55.51% shares of BII or 97.5% acquisition of BII. Although the global crisis attack and ruins the financial performance of BII, but the demand of the services offered by BII is still high. The researcher will find out the financial performance of BII towards the investor’s confidence.

(retrieved from: http://www.maybank2u.com.my/mbb_info/m2u/public/personalDetail04.do?chCatId=/mbb/AboutUs&programId=AU05-MaybankWorldwide&cntTypeId=1&cntKey=AU05.13, in September 2011)
1.3 Problem Identification

PT. Bank Internasional Indonesia Tbk (BII) was one of the leading banks in Indonesia which had a good financial statement before hit by the global crisis happen. Then, BII was sold to Maybank as the biggest bank in Malaysia. The transition time when becoming BII Maybank was also hard to do because the whole systems in the bank needed to be changed. Surprisingly the impact of Maybank gave a positive financial performance to BII performance after five years from the global crisis. The retained earnings have been positive since 2003. In this period after the global crisis, the investors may consider to buy the stocks of BII because the retained earnings show positive result. To analyze the financial performance on BII towards the investor’s confidence, the researcher will go through the financial performance of BII since 1997 until 2007. The researcher will analyze the period where BII had a good stock, bad stock and the period of making a good stock recently. The stock return influences debt equity ratio, book to market value, firm size, sales price ratio, price earnings ratio, price to book value, dividend payout ratio and loans to total deposit. Those ratios will show us the result whether BII’s stocks are good enough to be purchased or still need to be considered by the investors.

1.4 Statement of the Problem

There are some objectives that the researcher wants to achieve during the research. The objectives of this research can be expressed in answering the following questions:

1. Is there any correlation between financial performance (debt equity ratio, book to market value, firm size, sales price ratio, price earnings ratio, price to book value, dividend payout ratio and loans to total deposit) towards investor confidence?
2. Which is the most influence financial ratio towards investor confidence?

1.5 Research Objectives

The objectives of this research are:
1. To know the correlation between financial performance (debt equity ratio, book to market value, firm size, sales price ratio, price earnings ratio, price to book value, dividend payout ratio and loans to total deposit) towards investor confidence.
2. To find out the most influence financial ratio towards investor confidence.

1.6 Significance of the Study

The objectives of this research are:

**Researcher**
The researcher is able to forecast BII financial performance through stock return, debt equity ratio, book to market value, firm size, sales price ratio, price earnings ratio, price to book value, dividend payout ratio and loans to total deposit and give suggestion to investors where to buy the stock or not.

**Investor**
The investor will be able to know more about the BII’s financial performance on the past eleven years, before making decision of purchasing the BII’s stock.

**Academy**
This study will enrich the students about ratios that are important to the investors before deciding on buying the stocks on the market. The students will also learn more about the financial performance in one of the biggest
bank in Indonesia, BII. This study will show that every subject taught in university is only a basic theory and the real situation is more complicated than the subject itself.

1.7 Theoretical Framework

The theoretical framework based on this research consists of main idea which is financial performance and investors’ confidence. Debt equity ratio, book to market value, firm size, sales price ratio, price earnings ratio, price to book value, dividend payout ratio and loans to total deposit are the independent variables of this research. Stock return is the dependent variable and the final result of stock return calculation will refer to the investors’ confidence. The figure will guides the researcher to measure the final result and find out the relationship between those concepts by using a statistical tool.

Figure 1.1 Ratios affecting the Investors’ Confidence
1.8 Scope and Limitations of the Study

For the purpose of this research, PT. Bank Internasional Indonesia, Tbk (BNII) will be the object of the observation and will be limited specifically in the financial performance aspect as one of the largest bank in Indonesia that are also listed in the Indonesia Stock Exchange. This study will focus on analyzing the financial performance of BII since 1997-2007 and it will be related to the ratios needed for the investors who are going to analyze the BII performance. Since the global crisis on 1998 until 2002, the financial performance of BII is bad and it is affecting the investors’ confidence on purchasing BII’s stock. Since 2003 BII has started to recover from the global crisis effect. The impact of the global crisis will make the investors rethink their decision on purchasing the stock on a safe company. So the researcher will take the data from 1997 which is before the global crisis, 1998 global crisis period, during 1999 until 2002 which is the recovery period and until 2007 as the last data gathered by the researcher.

This study is limited to the information gathered from the Indonesian Capital Market Directory (ICMD) and Indonesia Stock Exchange (IDX) data. The data gathered from the published data. Those secondary data will be calculated to get a result for this study. The researcher will use financial statement and other facts given from ICMD and IDX data to measure the financial performance of BII based on the investors confidence.

1.9 Assumptions and Hypothesis

Assumptions of this research is there is a correlation between financial performance (debt equity ratio, book to market value, firm size, sales price ratio, price earnings ratio, price to book value, dividend payout ratio and loans to total deposit) towards investor confidence.
The hypothesis is “There are correlations between financial performance (debt equity ratio, book to market value, firm size, sales price ratio, price earnings ratio, price to book value, dividend payout ratio and loans to total deposit) towards investor confidence.”

1.10 Definition of Terms

**Stock Return**
Pratt, Shannon P. & Niculita, A. V. (2008) states that stock return can be explained by the confidence risk, time horizon risk, inflation risk, and business cycle risk and using rigorous statistical tests.

**Debt Equity Ratio**
Subramanyam, K. R. & Wild, J. J. (2009) states that debt equity is a financial liabilities or fair values of debt securities decline with a decrease in the creditworthiness of the borrower.

**Book to Market Value**
Cenesizoglu, Tolga (2010) states that book to market value reacts to different types of macroeconomics news or react to the same macroeconomics news.

**Firm Size**
Fitriati, I. R. (2010) states that firm size is a measure of the size of a company and it is also called as market value.

**Sales Price Ratio**
Lusiana, F. W. (2010) states that sales price ratio is calculated from the comparison between sales from company with the total value of market price.
Price Earnings Ratio
Subramanyam, K. R. & Wild, J. J. (2009) states that price earnings ratio is a market measures that market price per share divided by earnings per share.

Price to Book Value
Subramanyam, K. R. & Wild, J. J. (2009) states that price to book value is a market measures that market price per share divided by book value per share.

Dividend Payout Ratio
Puspita, Fira (2009) states that dividend payout ratio is a decision that consider about the way and form to pay the shareholders.

Loans to Total Deposit
Purwana, E. G. (2009) states that loans to total deposit are the ability of a bank in order to give fund to their debitor by using the capital from bank or even another fund that can be gathered from society.
2.1 Past Research

The writer found two journals that related to the topic of analyzing the financial performance and investor behavior. Ernawati (2003), Factors of Sales Price Ratio, Debt Equity Ratio, Book Market Ratio, and Firm Size towards the Stock Return. The results of research were:

1. Those independent variables can explain well about the dependent variable because R Square > 5%.

2. All of the factors were affecting the Stock Return because p>0.05 and the whole factors of Sales Price Ratio, Debt Equity Ratio, Book Market Ratio, and the Firm Size were accepting the alternate Ha.

The research method that used by the researcher were cross section and time series. The researcher was using Statistical Package for the Social Sciences 11 as the statistical tool. The result for the coefficient determination (R²) =0.648 which was the independent variable can explain well about the dependent variable because R Square is higher than 5%.

The whole variables of Stock Return, Sales Price Ratio, Debt Equity Ratio, Book Market Ratio, and Firm Size are using 5% of significance level. The F = 22.101 and p=0.000. This research got p<0.05 and accepting the H alternative. The Sales Price Ratio has b₁=0.186 which is t=2.109 and p=0.040 so accepting the H alternative. The Debt Equity Ratio has b₂=-0.307 which is t=-3.537 and p=0.001 so accepting the H alternative. The Book Market Ratio has b₃=-0.530 which is t=-5.582 and p=0.000 so accepting the H alternative. The Firm Size has b₄=-0.337 which is t=-3.6388 and p=0.001 so accepting the H alternative.
Hussein A. Hassan Al-Tamimi (2005), Factors Influencing Investor Behavior: An Empirical Study of the UAE Financial Markets. The results of research were:

1. Six factors were found the most influencing factors, where more than 50% of total respondents consider these factors as the most affecting factor on their behavior. The most influencing factor was by order of importance: expected corporate earnings, get rich quick, stock marketability, past performance of the firm’s stock, government holdings, the creation of the organized financial market.

2. Five factors were found the least influencing factor, where less than 10% of total respondents consider these factors as the least affecting factors on their behavior. The least influencing factor was by order of importance: expected losses in other local investments, minimizing risk, expected losses in international financial markets, family member opinions and gut feeling on the economy.

3. The most influencing group was by order of importance accounting information, self-image/ firm-image coincidence, neutral information, advocate recommendation, and personal financial needs.

4. Two factors had unexpectedly least influence on the behavior of the UAE investor behavior, namely the religious reasons and the factor of family member opinions.

The researcher used a primary data for this research. The researcher was using a questionnaire included thirty four items that belong to five categories, namely self-image/ firm-image coincidence; accounting information; neutral information; advocate recommendation; and personal financial needs. The population of this research was 66,772 investors from Abu Dhabi Securities Market and 154,041 investors from Dubai Financial Market at the end of 2004. The numbers of respondents were actually 350 samples from both Dubai Financial Market and Abu Dhabi Securities Market. The screening process resulted that seven responses were not
counted because of some missing data items. The remaining responses 343 represent an effective response rate of around 98 percent of the total sample. The number of usable responses received was 203 responses from Dubai Financial Market and 140 responses from Abu Dhabi Securities Market.

(retrieved from: www.aryanhellas.com/107/ha.pdf, on October 27th, 2011)

From the research above, the researcher could find some points that are related to the current research. The first research is using the same financial performance data with the same variables of Sales Price Ratio, Debt Equity Ratio, Book Market Ratio, Firm Size, and Stock Return. The difference is the ratios for the current research is added by Price Earnings Ratio, Price to Book Value, Dividend Payout Ratio and Loans to Total Deposit and also the current research only use one company as the research topic. The second research is about the investor behavior which is related to current research. This research may conclude for some factors that are important based on the investors to invest are from corporate earnings, stock marketability and past performance of the firm’s stock.

2.2 Financial Statement Analysis

2.2.1 Definition of Financial Statement Analysis

According to Paramasivan, C. & Subramanian, T (2008) financial statements are the summary of the accounting process, which provides useful information to both internal and external parties. John, Hamptors in Paramasivan, C. & Subramanian, T Financial Management’s book (2009) states that the financial statement is an organized collection of data according to logical and consistent accounting procedures.
And also Nyer, J. N in Paramasivan, C. & Subramanian, T Financial Management’s book (2009) said that financial statements provide a summary of the accounting of a business enterprise, the balance-sheet reflecting the assets, liabilities and capital as on a certain data and the income statement showing the results of operations during a certain period.

Where as Horne, James C. Van & Jr, John M. W (2008) states that financial statements analysis is the art of transforming data from financial statements into information that is useful for informed decision making.

And Subramanyam, K. R. & Wild, J. J. (2009) states that financial statement analysis is the application of analytical tools and techniques to general purpose financial statements and related data to derive estimates and inferences useful in business analysis.

2.2.2 Important Statement of Financial Statement Analysis

Financial statements generally consist of two important statements: (Paramasivan, C. & Subramanian, T, 2009)

1. The income statement or profit and loss account.
2. Balance sheet or the position statement.

A part from that, the business concern also prepares some of the other parts of statements, which are very useful to the internal purpose such as:

1. Statement of changes in owner’s equity.
2. Statement of changes in financial position.

(See Figure 2.1)
2.2.3 Income Statement

Income statement is also called as profit and loss account, which reflects the operational position of the firm during a particular period. (Paramasivan, C. & Subramanian, T, 2009)

According to Horne, James C. Van & Jr, John M. W (2008), Income statement summarizes the revenues and expenses of the firm over a particular period of time, again usually a year or a quarter.


(Source: Paramasivan, C. & Subramanian, T, 2009)

Figure 2.1 Financial Statement

2.2.4 Position Statement

Position statement is also called as balance sheet which reflects the financial position of the firm at the end of the financial year. (Paramasivan, C. & Subramanian, T, 2009)

And also Robinson, Thomas R., van Greuning, Hennie., Henry, Elaine. & Broihahn, M. A. (2009) states that balance sheet presents a company’s current financial position by disclosing resources the company controls (assets) and what it owes (liabilities) at a specific point in time.

2.2.5 Statement of Changes in Owner’s Equity

Statement of changes in owner’s equity called as statement of retained earnings which provides information about the changes or position of owner’s equity in the company. (Paramasivan, C. & Subramanian, T, 2009)

Robinson, Thomas R., van Greuning, Hennie., Henry, Elaine. & Broihahn, M. A. (2009) states that this statement primarily serves to report changes in the owners’ investment in the business over time and assists the analyst in understanding the changes in financial position reflected on the balance sheet.

2.2.6 Statement of Changes in Financial Position

Statement of changes in financial position involves two important areas such as fund flow statement which involves the changes in working capital position and cash flow statement which involves the changes in cash position. (Paramasivan, C. & Subramanian, T, 2009)
2.2.7 Types of Financial Statement Analysis

Myres in Paramasivan, C. & Subramanian, T Financial Management’s book (2009) states that financial statement analysis is largely a study of the relationship among the various financial factors as shown in a series of statements. Analysis of financial statements may be broadly classified into two important types on the basis of material used and methods of operations.

(Source: Paramasivan, C. & Subramanian, T, 2009)

Figure 2.2 Types of Financial Statement

1. Based on Material Used
   A. External Analysis
      Outsiders of the business concern do normally external analyses but they are indirectly involved in the business concern such as investors, creditors, government organizations and other credit agencies.
   B. Internal Analysis
      Internal analysis is used to understand the operational performances of each and every department and unit of the business concern.

2. Based on Methods of Operation
   A. Horizontal Analysis
Under the horizontal analysis, financial statements are compared with several years and based on that, a firm may take decisions.

B. Vertical Analysis
Under the vertical analysis, financial statements measure the quantities relationship of the various items in the financial statement on a particular period.

2.2.8 Techniques of Financial Statement Analysis

Financial statement analysis is interpreted mainly to determine the financial and operational performance of the business concern. The following are the common methods or techniques, which are widely used by the business concern. (Paramasivan, C. & Subramanian, T, 2009)

![Techniques of Financial Statement Analysis](Source: Paramasivan, C. & Subramanian, T, 2009)

Figure 2.3 Techniques of Financial Statement Analysis

1. Comparative Statement Analysis
Comparative statement analysis is an analysis of financial statement at different period of time. (Paramasivan, C. & Subramanian, T, 2009)

   A. Comparative Balance Sheet Analysis
Comparative balance sheet analysis concentrates only the balance sheet of the concern at different period of time.

B. Comparative Profit and Loss Account Analysis
This analysis is comparing the profit and loss account with previous year’s figure or compare within the statement.

2. Trend Analysis
The financial statements may be analysed by computing trends of series of information. (Paramasivan, C. & Subramanian, T, 2009)
Where as Robinson, Thomas R., van Greuning, Hennie., Henry, Elaine. & Broihahn, M. A. (2009) states that trend analysis provides important information regarding historical performance and growth and, given a sufficiently long history of accurate seasonal information, can be great assistance as a planning and forecasting tool for management and analysis.

3. Common Size Analysis
According to Paramasivan, C., Subramanian, T. (2008), Subramanyam, K. R. & Wild, J. J. (2009) common size analysis converted the important financial statement analysis into percentage to some common base. In the balance sheet the total assets figures is assumed to be 100 and all figures are expressed as a percentage of this total.
4. Fund Flow Statement
Fund flow statement is called as statement of sources and uses of funds, it helps to understand the changes in the financial position of a business enterprise between the beginning and ending financial statement dates. (Paramasivan, C. & Subramanian, T, 2009)

5. Cash Flow Statement
Cash flow statement is a statement which shows the sources of cash inflow and use of cash out-flow of the business concern during a particular period of time. (Paramasivan, C. & Subramanian, T, 2009)
Barrow, Colin (2008) states that the starting point for preparing a cash flow statement is to make some assumptions about what you want to achieve and testing those for reasonableness.

6. Ratio Analysis
According to Paramasivan, C., Subramanian, T. (2008), Subramanyam, K. R. & Wild, J. J. (2009) ratio analysis is a commonly used tool of financial statement analysis. Where as BHAT, M. S. & RAU, A. V (2008) states that ratio analysis is an important technique of financial analysis that expresses some variables such as percentage, rate, and proportion.
And Barrow, Colin (2008) states that ratios are used to compare performance in one period with another and can also be used to see how well the business performance compared with another.
Ratio can be classified into various types, such as:
- Liquiduty Ratio


- Activity Ratio
  Paramasivan, C., Subramanian, T. (2008), BHAT, M. S. & RAU, A. V. (2008) said that activity ratio is also called as turnover ratio. The activity ratios are stock turnover ratio, debtors turnover ratio, creditors turnover ratio and working capital turnover ratio.
  Where as Horne, James C. Van., Jr, John M. W. (2008) states that the activity ratios are receivable turnover, receivable turnover in days, aging accounts, payable activity, inventory activity, inventory turnover in days, operating cycle, cash cycle and total asset (or capital) turnover.
  And also Robinson, Thomas R., van Greuning, Hennie., Henry, Elaine. & Broihahn, M. A. (2009) states that activity ratios measure how efficiently a company performs day-to-day tasks, such as the
collection of receivables and management of inventory.

- **Financial Leverage (Debt) Ratio**
  Horne, James C. Van., Jr, John M. W. (2008) states that this ratio is to assess the extent to which the firm is using borrowed money by using the debt ratios. The activity ratios are debt-to-equity ratio and debt-to-total-assets ratio.
  And also BHAT, M. S. & RAU, A. V. (2008) states that the activity ratios are debt ratio, net income to debt service ratio, debt equity ratio, and proprietary ratio.

- **Coverage Ratios**
  Horne, James C. Van., Jr, John M. W. (2008) states that coverages ratios are designed to relate the financial charges of a firm to its ability to services, or cover. The activity ratio is interest coverage ratio.

- **Solvency Ratio**
  Solvency ratio is also called as leverage ratio. The activity ratios are debt-equity ratio, proprietary ratio, and interest coverage ratio. (Paramasivan, C., Subramanian, T, 2009)
debt-to-assets ratio, debt-to-capital ratio, debt-to-equity ratio, financial leverage ratio, interest coverage, and fixed charge coverage.

- Profitability Ratio

2.3 Stock Return

Meanwhile Pratt, Shannon P. & Niculita, A. V. (2008) states that stock return can be explained by the confidence risk, time horizon risk, inflation risk, and business cycle risk and using rigorous statistical tests.

2.4 Debt Equity Ratio

Debt equity ratio is external equity divided by internal equity. (Paramasivan, C. and Subramanian, T, 2009)
Subramanyam, K. R. & Wild, J. J. (2009) states that debt equity is a financial liabilities or fair values of debt securities decline with a decrease in the creditworthiness of the borrower.

2.5 Book to Market Value

Wardhani in Rahmawita, Fitri (2010) Effects of Characteristics Council as One of the Mechanism Corporate Governance towards Conservatism Accounting in Indonesia states that book to market value is the equity shareholders divided by closing price in volume shares.
Cenesizoglu, Tolga (2010) states that book to market value reacts to different types of macroeconomics news or react to the same macroeconomics news.
2.6 Firm Size

Puspita, Fira in Arsanda, S. A. (2011) Analyzing the Effect of Return on Asset, Debt to Equity Ratio, Growth, Firm Size, and Cash Ratio towards Dividend Payout Ratio (2011) states that firm size is the scale of the size on a firm based on several reason such as sales, total assets, and average numbers of firm sales.

Kartini & Arianto, Tulus in Erdiana, H. E. (2011) Analyzing the Effect of Firm Size, Business Risk, Profitability, Assets Growth, and Sales Growth towards Capital Structure (2011) states that firm size is a factor which measuring on the policy for the decision making of capital structure to fulfill the size of a company’s asset.


And also Fitriati, I. R. (2010) states that firm size is a measure of the size of a company and it is also called as market value.

And Nuraini, Y. R. (2010) states that the bigger the firm size made the easiest way to access the stock market.

2.7 Sales Price Ratio

Lusiana, F. W. (2010) states that sales price ratio is calculated from the comparison between sales from company with the total value of market price.

Whereas, Arajarvi, Tomi (2011) states that sales price ratio measures sales in relation to market value of the firm.

However, Ernawati (2003) states that sales price ratio is a dimension of the manager’s work in operating the company.
Moreover, Cunningham (2011) states that sales price ratio expresses the assessed value as a percentage of the sales price. And Chirinko, R. S. & Schaller, Huntley (2011) states that sales price ratio is the ratio of net nominal sales to the nominal value of common equity.

### 2.8 Price Earnings Ratio

Price earnings ratio indicates about the periods that needed to return the funds to the level of stock price and profit on a certain period. (Poernamawatie, Fahmi, 2008)

Subramanyam, K. R. & Wild, J. J. (2009) states that price earnings ratio is a market measures that market price per share divided by earnings per share. Moreover, Lusiana, F. W. (2010) & Inayah (2007) states that price earnings ratio used to estimates the stock price by dividing the price per share with earnings per share.

However, Kohlid, Abdul (2006) states that price earnings ratio is one of the phenomenological situation that used by the analyst of securities industry to value a stock.

### 2.9 Price to Book Value

Price to book value is a comparison between stock prices with book value of equity on a company, shows the capability of a company to create a relative value towards numbers of capital which is invested by the investors. (Poernamawatie, Fahmi, 2008)

Subramanyam, K. R. & Wild, J. J. (2009) states that price to book value is a market measures that market price per share divided by book value per share.
Moreover, Astuti, S. P. (2006) states that price to book value is a ratio used to measure activity of stock price towards the book value. And Ramadhan, Syahru (2009) states that price to book value is a method to estimate a stock price by using a variable of book value per share and a multiplier ratio. And also SD, Nicky N. (2008) states that price to book value is determined between the stock prices towards the book value and calculated as the result of shareholders equity with the amount of shares circulated.

2.10 Dividend Payout Ratio

Subramanyam, K. R., Wild, J. J. (2008) and Arsanda, S. A. (2011) states that dividend payout ratio is a market measures that cash dividends per share divided by earnings per share. Meanwhile, Hadiwidjaja, R. D. (2007) states that dividend payout ratio is a decision making of sharing the money supply to the shareholders to maximize the value of shareholders. And BS, Dyah H. (2010) states that dividend payout ratio determine the profit which divided into cash dividend and profit that is hold for another fund. And also Puspita, Fira (2009) states that dividend payout ratio is a decision that consider about the way and form to pay the shareholders.

2.11 Loans to Total Deposit

Nugroho, Y. Y. E. (2010), Natalia, D. P. (2011) & Adiyanti, Rini (2011) state that loans to total deposit are a ratio between the entire loan given by banks and the cash received by bank.
Purwana, E. G. (2009) states that loans to total deposit are the ability of a bank in order to give fund to their debitor by using the capital from bank or even another fund that can be gathered from society. Kasmir in Aqidah, N. A. (2011) Implication Policy Issues of Credit and Effect of Loan to Deposit Ratio towards Non Performing Loan on PT Bank Tabungan Negara (Persero) Tbk Makassar’s Branch states that loans to total deposit is a ratio that used to measure a composition of credits which is given based on the value of funds from society and own capital.

2.12 Investor Behavior

2.12.1 Big Five Model


1. Extraversion is the tendency to be talkative, energetic, and assertive.
2. Agreeableness is the tendency to be kind, warm, and sympathetic.
3. Conscientiousness is the tendency to be efficient, organized, “planful”, and thorough.
4. Neuroticism / negative affectivity is the tendency to be moody, tense, and anxious.
5. Intellect / openness to experience is the dimension of having wide interests and being imaginative, complex, and insightful.

2.12.2 Guide to Investment Strategy

Investment strategy and behavioral finance in the Fidelity Investments Asset Allocation Planner by Statman, Meir and Wood, Vincent in Investment Temperament based on Stanyer, Peter from Guide to Investment Strategy (2006) is:

1. Be willing to take a lot more risk all of your money.
2. Be willing to take a lot more risk with some of your money.
3. Be willing to take a little more risk with all of your money.
4. Be willing to take a little more risk with some of your money.

2.12.3 Business Reporting Through the Lens of the Investor

The business trading from the interview result that states by Tophoff, Vincent in Business Reporting Through the Lens of the Investor (2010) are:

1. From the investor’s perspective
   The investors agreed that financial statements must serve the needs of a broad range of stakeholders.
2. Premise of financial reporting
   “The financial report should be consensus between the corporation and the investor community to determine what is relevant and what is not,” says Mr. Madrazo. Ms. Branwhite makes a start, “The very basic premise of financial reporting is to provide an unbiased, complete, and well-informed view of the financial performance of a business, based on a well-defined set of standards, which
are used consistently across a whole range of companies.”
According to Mr. Waldron, disclosures are relevant to financial statements, emphasizing that they should be prepared in a high-quality manner.

3. Complexity of financial reporting
Complexity is the main difficulties on financial reporting and it continues to pose a challenge.

4. Information overload
Overload of detailed information provides a problem for retail investors, many of whom lack the financial expertise or the time for proper analysis.

5. Fair value
“Fair value accounting is very important,” says Mr. Webb, “certainly on the fixed assets side, because we need comparability between companies in a sector, between companies in a market, and between companies in different markets.” Mr. Waldron also strongly favors fair value. In fact, he “believes that it is the most decision-useful measurement basis for investors.” Mr. McKersie notes that “fair value is without doubt of interest for investors,” but that “the reliability of these fair value measurements” is important for investors to consider. According to Mr. Waldron, however, “Investors feel that relevance has primacy over reliability, so combining high-quality disclosures with the fair values presented in the financial statements presents more decision-useful information.”

6. Direct cash flow method
The investors better to understand more about the company.

7. International convergence of accounting standards
The priority of international accounting standards should be to make the information in the accounts more relevant,
reliable, transparent, and consistent which means improving the quality.

8. Management commentary
Knowing the KPIs that sets by the management of the company will help the investors direction.

9. Sustainability reporting
The internal and external environment among a company will improve the investors confidence.

2.12.4 Correlated Trading

Correlated trading and investor behavior in the Retail Investor Sentiment and Behavior an Empirical Analysis by Burghardt, Matthias (2011) are:

1. Data Sources
First, researchers use proprietary data sets from brokers and allow for the analysis of customer profitability, holding periods, and imbalance measures on the basis of individual investors. Imbalance measures such as the percentage of investors that are net buyers (buyers’ ratio) can be calculated.
Second, proprietary stock exchange data is used including transactions from several different brokers but seldom on an account level. Therefore, measures such as the buyer ratio cannot be calculated.
Third, publicly available exchange data can be used to infer order imbalance measures. This methodology is the least reliable methodology but is used by several authors due to the availability of the data.

2. Signing
Lee and Ready (1991) algorithm are identifying the side of a trade. Based on the algorithm, a trade executed at a price
higher than the prevailing quote midpoint is classified as buyer-initiated. If the transaction price equals the quote midpoint, it is classified as buyer-initiated if the transaction price is above the previous transaction price. Seller-initiated orders are defined analogously. This signing procedure seeks to identify the active side of the trade which is willing to pay a premium over the quote midpoint.

3. Regional Differences
There are certainly differences among the behaviors of individual investors in different parts of the world. Therefore, inferences about the behavior of individual investors must always be made in light of the investment culture of the country or region where the data is collected from.

4. Period and Frequency
Data period and frequency differs throughout the related research. In most of the papers a daily frequency is used though some authors present results on a monthly basis. This is not only due to the availability of the data but also to the specific research focus, whether long-term or short-term anomalies are to be investigated.

5. Order Types
Another important difference among previous research is the differentiation between market and limit orders. All papers using the Lee and Ready (1991) algorithm only include market orders by assumption whereas all other papers may include limit orders as well. Dorn, Huberman, and Sengmueller (2008) are among the first to distinguish market and limit orders and get different results depending on the order type. Their data set from the discount broker allows them to determine the order type exactly and differentiate even further between speculative
and non-speculative orders. Barber, Lee, Liu, and Odean (2009) differentiate between passive and aggressive orders due to their unique data set from the Taiwan Stock Exchange. Investors in Taiwan are not allowed to submit market orders, so an executed limit order must be identified as marketable or non-marketable. In recent research, Linnainmaa (2009) finds that trading patterns such as the disposition effect or contrarian behavior can be explained in large part by investors’ use of limit orders. Linnainmaa argues that these patterns arise mechanically because limit orders are price-contingent and suffer from adverse selection. Besides, the differentiation between market and limit orders has not received a lot of attention in the related literature although Dorn, Huberman, and Sengmueller (2008) show that this differentiation is important.

6. Order Imbalance Measure Calculation
Some researchers report trading volume imbalance, some report imbalances based on the number of trades or the number of stocks traded. In some papers, imbalance measures based on the number of buyers as opposed to all traders are calculated.

2.12.5 What Investors Really Want

According to Statman, Meir in what Investors Really Want: Discover What Drives Investor Behavior and Make Smarter Financial Decisions (2011), there are some points that the investor wants to achieve while trading, such as:

1. Profits higher than risks.
2. Thoughts for some erroneous.
3. Emotions and misleading.
4. Play and win.
5. Join herds and inflate bubbles.
6. Self-control and mental accounts.
7. Save for tomorrow and spend the money today.
8. Hope for riches and freedom from the fear of poverty.
9. Similar wants and different ones.
10. Face for no losses.
11. Pay no taxes.
12. High status and proper respect.
13. Stay true to the investor values.
14. Fairness.
15. Invest to the children and families.
17. The investor belongings.
CHAPTER III

METHODOLOGY

3.1 Research Method

This research was conducted from August 2011 until November 2011. This period of time was the period after the researcher finished the internship at PT. Bank Internasional Indonesia. During this period, the researcher looked for the financial statement of BII since 1997 until 2007. The researcher used quantitative analysis method to get a result from the financial performance of BII. The research used the multiple regression method for the final calculation. The final calculation itself used a tool called Statistical Package for the Social Sciences 17 to compute the statistical analysis. Based on Thesis Guidelines. (2010). President University, p. 11. Quantitative research uses numbers to prove or disprove a motion or hypothesis. The process measurement is central to quantitative research because it provides the fundamental connection between empirical observation and mathematical expression of quantitative relationships.

3.2 Research Instruments

There are two different categories for data collection, primary and secondary. The researcher used secondary data for doing this research. Secondary data are collected from previous researchers from Indonesia Stock Exchange and Indonesian Capital Market Directory. The population is based on eleven years of financial performance, which is from 1997 until 2007.
3.2.1 Secondary Data

The secondary data was obtained from Indonesia Stock Exchange and Indonesian Capital Market Directory. Other source of data was gathered from fundamentals of finance and investor behavior books, websites that related to financial performance analysis and investor behavior. Those data would help the researcher in analyzing financial performance.

3.2.2 Data Analysis Method

The data that has been collected will be beneficial after being analyzed. Analysis in this research is an important part of the research because the data will be useful in order to solve the problem. The researcher used quantitative analysis method in doing this research. Quantitative analysis is used to expose, identify, analyze problems, select appropriate models, compute and process data into the model, verify the results and translate the result. The researcher will calculate the ratio based on the financial performance from IDX and ICMD and use the Multiple Regression model.

The Multiple Regression model is:

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + e \]

where:

- \( Y \) = Stock Return of BII
- \( \beta_0 \) = intercept
- \( e \) = Standard Error
- \( X_1 \) = Debt Equity Ratio of BII
- \( X_2 \) = Book to Market Value of BII
- \( X_3 \) = Firm Size of BII
- \( X_4 \) = Sales Price Ratio of BII
X₅ = Price Earnings Ratio of BII
X₆ = Price to Book Value of BII
X₇ = Dividend Payout Ratio of BII
X₈ = Loans to Total Deposit of BII
β₁, β₂, β₃, β₄, β₅, β₆, β₇, β₈ = coefficients

The formulas of financial ratio stated in literature review are as follows:

- **Stock Return** = \( \frac{(P_{t} - P_{t-1})}{P_{t-1}} \times 100\% \)
  
  \( P_{t} \) = Selling price per share when \( t \) (year)
  
  \( P_{t-1} \) = Buying price per share when \( t-1 \) (year-1)

- **Debt Equity Ratio** = \( \frac{\text{Total Liabilities}}{\text{Total Assets}} \) x 100%

- **Book to Market Value** = \( \frac{\text{Book Value of Equity}}{\text{Market Value of Shares}} \)

- **Firm Size** = Price Per Share x Number of Shares Outstanding

- **Sales Price Ratio** = \( \frac{\text{Net Sales Per Share}}{\text{Price Per Share}} \)

- **Price Earnings Ratio** = \( \frac{\text{Market Value per Share}}{\text{Earnings per Share}} \)

- **Price to Book Value** = \( \frac{\text{Stock Price}}{\text{Total Assets – Intangible Assets and Liabilities}} \)

- **Dividend Payout Ratio** = \( \frac{\text{Dividends}}{\text{Net Income}} \)

- **Loan to Total Deposit** = \( \frac{\text{Banks Total Loans}}{\text{Banks Total Deposits}} \)
3.3 Testing the Hypothesis

In the hypothesis testing, the researcher uses F test and t test.

**F test**
Ho: $\beta_1 = \beta_2 = \beta_3 = \beta_4 = \beta_5 = \beta_6 = \beta_7 = \beta_8 = 0$
Ha: at least one coefficient is equal to zero (0)

**t test**
Ho: at least $\beta_i \neq 0$, where $i = 1, 2, 3, 4, 5, 6, 7, 8$

3.4 Limitations

In doing this research, there was a limitation faced by the researcher such as the researcher only got the complete data for eleven years financial performance.
CHAPTER IV

ANALYSIS OF DATA AND INTERPRETATION OF RESULTS

The researcher would like to analyze the data of BII for this research since 1997 until 2007. The main reason to analyze the data is to make a hypothesis research.

4.1 Result

4.1.1 Calculation Based on the Raw Data

\[
\text{Stock Return} = \frac{(P_t - P_{t-1}) \times 100}{P_{t-1}}
\]

\( P_t \) = Selling price per share when \( t \) (year)

\( P_{t-1} \) = Buying price per share when \( t-1 \) (year-1)

\begin{align*}
1997 & = \left( \frac{325 - 0}{325} \right) \times 100\% = 100\% \\
1998 & = \left( \frac{225 - 325}{325} \right) \times 100\% = -30.769\% \\
1999 & = \left( \frac{100 - 225}{225} \right) \times 100\% = -55.56\% \\
2000 & = \left( \frac{40 - 100}{100} \right) \times 100\% = -60\% \\
2001 & = \left( \frac{25 - 40}{40} \right) \times 100\% = -37.5\% \\
2002 & = \left( \frac{50 - 25}{25} \right) \times 100\% = 100\% \\
2003 & = \left( \frac{110 - 50}{50} \right) \times 100\% = 120\% \\
2004 & = \left( \frac{185 - 110}{110} \right) \times 100\% = 68.182\% \\
2005 & = \left( \frac{155 - 185}{185} \right) \times 100\% = -16.2162\% \\
2006 & = \left( \frac{240 - 155}{155} \right) \times 100\% = 54.83871\% \\
2007 & = \left( \frac{285 - 240}{240} \right) \times 100\% = 18.75\%
\end{align*}

\[
\text{Debt Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Total Assets}} \times 100\%
\]
1997 = 22,141,954 / 24,697,680 x 100% = 89.652%
1998 = 43,918,964 / 35,241,838 x 100% = 124.622%
1999 = 38,249,105 / 40,185,239 x 100% = 95.182%
2000 = 34,988,779 / 37,210,267 x 100% = 94.03%
2001 = 32,953,577 / 30,754,466 x 100% = 107.151%
2002 = 33,348,478 / 36,325,265 x 100% = 91.805%
2003 = 31,368,962 / 34,745,614 x 100% = 90.282%
2004 = 31,866,367 / 36,077,167 x 100% = 88.328%
2005 = 45,562,628 / 50,271,052 x 100% = 90.634%
2006 = 47,845,847 / 53,101,100 x 100% = 90.103%
2007 = 49,629,389 / 55,148,453 x 100% = 89.992%

Book to Market Value = Book Value of Equity / Market Value of Shares

<table>
<thead>
<tr>
<th>Year</th>
<th>Formula</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>790.600369 / 325</td>
<td>2.43261652</td>
</tr>
<tr>
<td>1998</td>
<td>0 / 225</td>
<td>0</td>
</tr>
<tr>
<td>1999</td>
<td>74.0123969 / 100</td>
<td>0.74012397</td>
</tr>
<tr>
<td>2000</td>
<td>44.769571 / 40</td>
<td>1.11923928</td>
</tr>
<tr>
<td>2001</td>
<td>41.5934622 / 25</td>
<td>1.66373849</td>
</tr>
<tr>
<td>2002</td>
<td>41.6609382 / 50</td>
<td>0.83321876</td>
</tr>
<tr>
<td>2003</td>
<td>70.6752377 / 110</td>
<td>0.64250216</td>
</tr>
<tr>
<td>2004</td>
<td>88.1256207 / 185</td>
<td>0.47635471</td>
</tr>
<tr>
<td>2005</td>
<td>98.0032624 / 155</td>
<td>0.63227911</td>
</tr>
<tr>
<td>2006</td>
<td>109.103605 / 240</td>
<td>0.45459835</td>
</tr>
<tr>
<td>2007</td>
<td>110.552616 / 285</td>
<td>0.38790392</td>
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</tbody>
</table>

Firm Size = Price Per Share x Number of Shares Outstanding

<table>
<thead>
<tr>
<th>Year</th>
<th>Formula</th>
<th>Value</th>
</tr>
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<tbody>
<tr>
<td>1997</td>
<td>325 x 3,234,402,449</td>
<td>1,051,180,795,925</td>
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<tr>
<td>1998</td>
<td>225 x 3,234,444,969</td>
<td>727,750,118,025</td>
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<td>1999</td>
<td>100 x 92,793,360,445</td>
<td>9,279,336,044,500</td>
</tr>
<tr>
<td>2000</td>
<td>40 x 92,793,462,307</td>
<td>3,711,738,492,280</td>
</tr>
<tr>
<td>2001</td>
<td>25 x 92,793,462,307</td>
<td>2,319,836,557,675</td>
</tr>
</tbody>
</table>
Sales Price Ratio = \frac{\text{Net Sales Per Share}}{\text{Price Per Share}}

<table>
<thead>
<tr>
<th>Year</th>
<th>Price</th>
<th>Sales</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>244,406</td>
<td>325</td>
<td>752.0184615384615</td>
</tr>
<tr>
<td>1998</td>
<td>-10,970,097</td>
<td>225</td>
<td>-48,755.9867</td>
</tr>
<tr>
<td>1999</td>
<td>-2,092,809</td>
<td>100</td>
<td>-20,928.09</td>
</tr>
<tr>
<td>2000</td>
<td>267,487</td>
<td>40</td>
<td>6,687.175</td>
</tr>
<tr>
<td>2001</td>
<td>-4,130,540</td>
<td>25</td>
<td>-165,221.6</td>
</tr>
<tr>
<td>2002</td>
<td>132,517</td>
<td>50</td>
<td>2,650.34</td>
</tr>
<tr>
<td>2003</td>
<td>309,089</td>
<td>110</td>
<td>2,809.9</td>
</tr>
<tr>
<td>2004</td>
<td>821,582</td>
<td>185</td>
<td>4,440.983</td>
</tr>
<tr>
<td>2005</td>
<td>725,118</td>
<td>155</td>
<td>4,678.18064516129</td>
</tr>
<tr>
<td>2006</td>
<td>633,710</td>
<td>240</td>
<td>2,640.4583</td>
</tr>
<tr>
<td>2007</td>
<td>404,757</td>
<td>285</td>
<td>1,420.2</td>
</tr>
</tbody>
</table>

4.1.2 Calculation Based on the Numbers of Financial Ratios Appeared in the Data

Price Earnings Ratio = \frac{\text{Market Value per Share}}{\text{Earnings per Share}}

<table>
<thead>
<tr>
<th>Year</th>
<th>Price</th>
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<tbody>
<tr>
<td>1997</td>
<td>43</td>
</tr>
<tr>
<td>1998</td>
<td>-7</td>
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<tr>
<td>1999</td>
<td>-125</td>
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<tr>
<td>2000</td>
<td>-25</td>
</tr>
<tr>
<td>2001</td>
<td>781</td>
</tr>
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</table>
2002 = -32
2003 = 2,697
2004 = 1,076
2005 = 1,022
2006 = 1,821
2007 = 3,401

Price to Book Value = \[
\frac{\text{Stock Price}}{\text{Total Assets} - \text{Intangible Assets and Liabilities}}
\]

1997 = 41
1998 = -8
1999 = 135
2000 = 89
2001 = -59
2002 = 12
2003 = 156
2004 = 21
2005 = 158
2006 = 22
2007 = 258

Dividend Payout Ratio = \[
\frac{\text{Dividends}}{\text{Net Income}}
\]

1997 = 0
1998 = 0
1999 = 0
2000 = 0
2001 = 0
2002 = 0
2003 = 0
2004 = 0.2909
2005 = 0.3397
2006 = 0.3976
2007 = 0.4773

\[
\text{Loan to Total Deposit} = \frac{\text{Banks Total Loans}}{\text{Banks Total Deposits}}
\]

1997 = 116
1998 = 41
1999 = 38
2000 = 58
2001 = 19
2002 = 1
2003 = 34
2004 = 43
2005 = 62
2006 = 69
2007 = 7

### 4.2 Statistical Package for the Social Sciences Calculation

#### 4.2.1 Descriptive Statistic

Based on Figure 4.1, the numbers of data that the population used on this research are 11 data. The stock return shows a positive value and the mean of stock return is 23.79%. The result shows that from 1997 until 2007, BII number of stocks is increasing. The standard deviation is 67.44% which is larger than the mean of the stock return. Based on the difference shown from mean and standard deviation, it is shown that there is a high fluctuation of stock return from 1997 until 2007. The amount number of standard deviation can be assumed from the quality of BII based
from the financial information that received by the investors about BII.  
The mean of debt equity ratio is 0.9561 and the standard deviation is 0.1093. The mean is not more than 1 show that BII gain the funds not from the creditor or other external sources, and use own capital as the source of fund.  
The mean of book to market value is 1.5124 and the standard deviation is 5.0163. The value shows that book to market value is predicted to affecting the stock return.  
The mean of firm size is 6.0403 and the standard deviation is 4.4556. The value shows that firm size is predicted to affecting the stock return.  
The mean of sales price ratio is 1.1089 and the standard deviation is 2.5477. The value shows that sales price ratio is predicted to affecting the stock return.  
The mean of price earnings ratio is 9.6836 and the standard deviation is 1.2113. The value shows that price earnings ratio is predicted to affecting the stock return.  
The mean of price to book value is 7.5 and the standard deviation is 9.2967. The mean is more than 1 shows that BII has a stock that more expensive than book value of equity. This shows a good expectation from the investors based on the stock on the market.  
The mean of dividend payout ratio is 0.1368 and the standard deviation is 0.1949. The value shows that dividend payout ratio is predicted to affecting the stock return.  
The mean of loans to total deposit is 4.4363 and the standard deviation is 3.2119. The value shows that loans to total deposit are predicted to affecting the stock return.
### Descriptive Statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>StockReturn</td>
<td>0.237932262</td>
<td>0.6744123150</td>
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</tr>
<tr>
<td>DebtEquityRatio</td>
<td>0.9561845</td>
<td>0.10934397</td>
<td>11</td>
</tr>
<tr>
<td>BookToMarketValue</td>
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<td>6.01636026E7</td>
<td>11</td>
</tr>
<tr>
<td>FirmSize</td>
<td>6.0403E12</td>
<td>4.45583E12</td>
<td>11</td>
</tr>
<tr>
<td>SalesPriceRatio</td>
<td>1.1089418E14</td>
<td>2.5477631E14</td>
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<tr>
<td>PriceEarningsRatio</td>
<td>9.68363638E2</td>
<td>1.21132301E3</td>
<td>11</td>
</tr>
<tr>
<td>PriceToBookValue</td>
<td>7.50000000E1</td>
<td>9.29673636E1</td>
<td>11</td>
</tr>
<tr>
<td>DividendPayoutRatio</td>
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<td>1.948029875</td>
<td>11</td>
</tr>
<tr>
<td>LoanstoTotalDeposit</td>
<td>4.43636363E1</td>
<td>3.211393795E1</td>
<td>11</td>
</tr>
</tbody>
</table>

(Source: Statistical Package for the Social Sciences 17)

Figure 4.1 Descriptive Statistic

### 4.2.2 Model Evaluation

#### 4.2.2.1 Multicollinearity

Michels, G. H., Pharma, Purdue (2006) states that multicollinearity is a relationship where one independent variable is nearly a linear combination of two or more other independent variables. Michels, G. H. & Pharma, Purdue. (2006), Fernandez, George. C. J. (2007) & Jeeshim (2003) states that the value of variance inflation factor (VIF) is not more than 10. VIF > 10 among predictor variables in mixed model analysis can result in unstable parameter estimates with inflated standard errors. When a fixed effect predictor involved in a collinear relationship is dropped from the model, the sign and size of the remaining predictor variable estimates can change dramatically. If any of the covariates are highly correlated with other predictors and involved with severe
multicollinearity, then their VIF statistic can range above 10. Figure 4.6 on VIF variables states that there is one independent variable that have VIF value more than 10 which is firm size. The other model evaluation show that there is a strong significance between firm size and stock return, so there is a multicollinearity but the firm size still have a significance value to the stock return. In conclusion, there is no collinearity happens.

4.2.2.2 Heteroscedasticity

According to Wiliam, R (2011), heteroscedasticity is the error terms that do not have constant variance. From the Figure 4.2, it shown that the data are normally distributed, the points spread each other and not made a pattern. The spreading plots above 0 and under 0 measure significance between dependent and independent variables. The data can also be seen from the Coefficient in B value where B < 0.05 means that there is no heteroscedasticity happens. Which mean there is no heteroscedasticity problem. It is eligible to be used to predict the operation performance based on the independent variables.

(Source: Statistical Package for the Social Sciences 17)

Figure 4.2 Heteroscedasticity
4.2.2.3 Histogram

From the Figure 4.3, it shown that the curve is in normal shape. The normal figure already fulfills the classic assumption.

(Source: Statistical Package for the Social Sciences 17)

Figure 4.3 Histogram

4.2.2.4 Regression Model Result

From Figure 4.4, the coefficient of correlation (R) of the regression model is 0.999, which mean there is a relationship

(Source: Statistical Package for the Social Sciences 17)

Figure 4.4 Model Summary
between financial performance (debt equity ratio, book to market value, firm size, sales price ratio, price earnings ratio, price to book value, dividend payout ratio and loans to total deposit) towards investor confidence. However the researcher find out that even there are relationship between the dependent and independent variables, the significant is not really impacting the independent variables.

The coefficient of determination \( (R^2) \) is 0.999, which means there is 99.9\% of variability in the dependent stock return can be explained by the financial performance (debt equity ratio, book to market value, firm size, sales price ratio, price earnings ratio, price to book value, dividend payout ratio and loans to total deposit). The adjusted \( R^2 \) is 0.994 (smaller than \( R^2 \)) is explaining the whole variable effect of dependent variable \((Y)\) with the 0.0512794119 standard error of estimate.

### 4.2.3 Hypothesis Test

This research is about the analysis of PT. Bank Internasional Indonesia financial performance towards investors’ confidence aiming whether there is a correlation or not, therefore the model analysis can explain how significant is the independent variables into the dependent variable. the result will be shown below:

#### 4.2.3.1 F – Test

In order to know whether all the independent variables do have relationship to the dependent variables, F-test would be:

\[
\begin{align*}
\text{Ho: } & \beta_1 = \beta_2 = \beta_3 = \beta_4 = \beta_5 = \beta_6 = \beta_7 = \beta_8 = 0 \\
\text{Ha: } & \text{at least one coefficient is equal to zero (0)}
\end{align*}
\]
If the significant value ≤ 0.05, Ho is rejected.
If the significant value > 0.05, Ha is accepted.

From the Figure 4.5, it shows that the significance is .005 less than 0.05, which means Ho is rejected so overall the independent variables: Debt Equity Ratio ($X_1$), Book to Market Value ($X_2$), Firm Size ($X_3$), Sales Price Ratio ($X_4$), Price Earnings Ratio ($X_5$), Price to Book Value ($X_6$), Dividend Payout Ratio ($X_7$), Loans to Total Deposit ($X_8$) have a significant influences on Stock Return.

### ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
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</thead>
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<td>8</td>
<td>.568</td>
<td>215.960</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>.005</td>
<td>2</td>
<td>.003</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>4.549</td>
<td>10</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), LoansToTotalDeposit, DividendPayoutRatio, BookToMarketValue, DebtEquityRatio, PriceToBookValue, SalesPriceRatio, PriceEarningsRatio, FirmSize

b. Dependent Variable: StockReturn

(Source: Statistical Package for the Social Sciences 17)

Figure 4.5 ANOVA

### t – Test

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
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<td>(Constant)</td>
<td></td>
<td></td>
<td>.005</td>
<td></td>
</tr>
<tr>
<td></td>
<td>DebtEquityRatio</td>
<td>-2.543</td>
<td>217</td>
<td>-11.709</td>
<td>.007</td>
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<tr>
<td></td>
<td>BookToMarketValue</td>
<td>-1.214E-6</td>
<td>0.000</td>
<td>-24.999</td>
<td>.002</td>
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<tr>
<td></td>
<td>FirmSize</td>
<td>5.83E-14</td>
<td>0.000</td>
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<td>.044</td>
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<td></td>
<td>SalesPriceRatio</td>
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<td>0.000</td>
<td>15.639</td>
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<tr>
<td></td>
<td>PriceEarningsRatio</td>
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<td>0.000</td>
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<td></td>
<td>PriceToBookValue</td>
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<td>-25.159</td>
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<td></td>
<td>LoansToTotalDeposit</td>
<td>-0.615</td>
<td>0.001</td>
<td>-14.839</td>
<td>.005</td>
</tr>
</tbody>
</table>

a. Dependent Variable: StockReturn

(Source: Statistical Package for the Social Sciences 17)

Figure 4.6 Coefficients
t-test is done to investigate the influence of each independent variables toward the dependent variables. In this t-test is done to examine whether each of the variable have a relationship toward stock return.

Ho: at least $\beta_i \neq 0$, where $i = 1, 2, 3, 4, 5, 6, 7, 8$.

If the significant value $\leq 0.05$, Ho is rejected.
If the significant value $> 0.05$, Ho is accepted.

Based on the multiple regressions, the purpose is to understand and find out the relationship between independent variables and dependent variable. The multiple regression result are shown in figure 4.6, the result of the regression equation will be obtained as follows:

$$Y = 3.364 - 2.543X_1 - 1.214E-8X_2 + 5.839E-14X_3 + 2.629E-15X_4 + 0.001X_5 - 0.01X_6 - 3.056X_7 - 0.015X_8 + e$$

4.2.3.2.1 t – Test ($X_1$)

From the Figure 4.6, it shows that t-test is 0.007 less than 0.05, which means Debt Equity Ratio of BII has a significant impact on stock return ($Y$). If $X_1$ increased by one unit then stock return value is decreasing by 2.543 because the value of $X_1$ is negative.

4.2.3.2.2 t – Test ($X_2$)

From the Figure 4.6 it shows that t-test is 0.002 less than 0.05, which means Book to Market Value of BII has a significant impact on stock return ($Y$). If $X_2$ increased by one unit then stock return value is decreasing by 1.214E-8 because the value of $X_2$ is negative.
4.2.3.2.3  \( t \) – Test (\( X_3 \))

From the Figure 4.6, it shows that \( t \)-test is 0.044 less than 0.05, which means Firm Size of BII has a significant impact on stock return (\( Y \)). If \( X_3 \) increased by one unit then stock return value is increasing by 5.839E-14 because the value of \( X_3 \) is positive.

4.2.3.2.4  \( t \) – Test (\( X_4 \))

From the Figure 4.6, it shows that \( t \)-test is 0.004 less than 0.05, which means Sales Price Ratio of BII has a significant impact on stock return (\( Y \)). If \( X_4 \) increased by one unit then stock return value is increasing by 2.629E-15 because the value of \( X_4 \) is positive.

4.2.3.2.5  \( t \) – Test (\( X_5 \))

From the Figure 4.6, it shows that \( t \)-test is 0.001 less than 0.05, which means Price Earnings Ratio of BII has a significant impact on stock return (\( Y \)). If \( X_5 \) increased by one unit then stock return value is increasing by 0.001 because the value of \( X_5 \) is positive.

4.2.3.2.6  \( t \) – Test (\( X_6 \))

From the Figure 4.6, it shows that \( t \)-test is 0.002 less than 0.05, which means Price to Book Value of BII has a significant impact on stock return (\( Y \)). If \( X_6 \) increased by one unit then stock return value is decreasing by 0.01 because the value of \( X_6 \) is negative.
4.2.3.2.7  $t$ – Test ($X_7$)

From the Figure 4.6, it shows that $t$-test is 0.006 less than 0.05, which means Dividend Payout Ratio of BII has a significant impact on stock return ($Y$). If $X_7$ increased by one unit then stock return value is decreasing by 3.056 because the value of $X_7$ is negative.

4.2.3.2.8  $t$ – Test ($X_8$)

From the Figure 4.6, it shows that $t$-test is 0.005 less than 0.05, which means Loans to Total Deposit of BII has a significant impact on stock return ($Y$). If $X_8$ increased by one unit then stock return value is decreasing by 0.015 because the value of $X_8$ is negative.
CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

From the result discussed and interpreted, can be concluded that:

1. \( F_{\text{test}} = 215.96 \) and \( p = 0.005 \). If the significance \( \alpha = 5\% \), the entire independent variables are effecting the dependent variable. Therefore the null hypothesis, \( H_0 \) which states that overall independent variables (debt equity ratio, book to market value, firm size, sales price ratio, price earnings ratio, price to book value, dividend payout ratio and loans to total deposit) have no significant influence on stock return is rejected. Hence the alternate hypothesis, \( H_a \) which states that at least one of the independent variables has significant influences on stock return is accepted. It means that it leads the investors to gain confidence to buy BII’s stocks.

2. Partially, the independent variables (debt equity ratio, book to market value, firm size, sales price ratio, price earnings ratio, price to book value, dividend payout ratio and loans to total deposit) has significant influence on stock return of BII.

3. One of the most t-test variable that has the most influence in dependent variable is Price Earnings Ratio, because Price Earnings Ratio has the largest number of \( \beta = 0.001 \).
5.2 Recommendations

From the conclusion taken, researcher would like to recommend as follows:

1. Financial performance model of BII which is shown by the stock return through debt equity ratio, book to market value, firm size, sales price ratio, price earnings ratio, price to book value, dividend payout ratio and loans to total deposit is proven to be reliable (99.4%), the researcher strongly recommend investors to buy the stock of BII.

2. The independent variables (debt equity ratio, book to market value, firm size, sales price ratio, price earnings ratio, price to book value, dividend payout ratio and loans to total deposit) have explained 99.4% of the factors influencing stock return, which is considered very strong but still there is a 0.6% is explained by other variables which are not discussed in this research. Therefore, it is hope that other researcher would dig on those variables which will give the investors 100% sure to buy the stock of BII or not.

3. Since the sales price ratio has the lowest value compared to the others, BII needs to increase the sales price ratio.
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Other Resources
http://www.kompas.com/lipsus052009/antasariread/2008/03/26/12021810/bii.dibeli.maybank.malaysia
http://www.bii.co.id/investor/presentation/Pages/Presentation.aspx
http://www.maybank2u.com.my/mbb_info/m2u/public/personalDetail04.do?chCatId=/mbb/AboutUs&programId=AU05-MaybankWorldwide&cntTypeId=1&cntKey=AU05.13
http://eprints.undip.ac.id/11390/
www.aryanhellas.com/107/ha.pdf
LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure 4.1 Descriptive Statistic</th>
</tr>
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<td>Source: Statistical Package for the Social Sciences 17</td>
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</table>

<table>
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<td>BookToMarketValue</td>
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</tr>
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<td>FirmSize</td>
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</table>

(Source: Statistical Package for the Social Sciences 17)

Figure 4.2 Heteroscedasticity

(Source: Statistical Package for the Social Sciences 17)

Figure 4.2 Heteroscedasticity
Figure 4.3 Histogram

![Histogram](image)

(Source: Statistical Package for the Social Sciences 17)

Figure 4.4 Model Summary

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a. Predictors: (Constant), LoansToTotalDeposit, DividendPayoutRatio, BookToMarketValue, DebtEquityRatio, PriceToBookValue, SalesPriceRatio, PriceEarningsRatio, FirmSize

b. Dependent Variable: StockReturn

(Source: Statistical Package for the Social Sciences 17)

Figure 4.5 ANOVA

<table>
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<th>F</th>
<th>Sig.</th>
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<td>4.548</td>
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</table>

a. Predictors: (Constant), LoansToTotalDeposit, DividendPayoutRatio, BookToMarketValue, DebtEquityRatio, PriceToBookValue, SalesPriceRatio, PriceEarningsRatio, FirmSize

b. Dependent Variable: StockReturn

(Source: Statistical Package for the Social Sciences 17)

Figure 4.6 Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
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<td>1</td>
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<td></td>
</tr>
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a. Dependent Variable: StockReturn

(Source: Statistical Package for the Social Sciences 17)

Figure 4.6 Coefficients
APPENDICES