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Event	:	Thesis Final Defense
Date	:	Monday, August 19, 2024 at 5 PM
Student	:	Lindawati Octaviani (22232001)
Title	:	The Impact of Key Financial Factors and Macro-Economic Variables on Financial Performance and Stock Return on Indonesian Banks
Thesis Advisor(s)	:	Prof. Roy Sembel & Dr. Melinda Malau
Examiners	:	Prof. Wiwiek Daryanto & Dr. Samuel PD Anantadjaya





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4. What would the differences between **Kurtosis** (5.38 in the first model) as shown in normality test result in first model on page 72 and also Kurtosis is shown 2.61 (as shown in the second model) on page 73?
5. Why is it necessary to **accept** the **normality of the data**?
 - a. What would happen to have the abnormal of the data set? Can those data be implemented?
6. In your summary, it said that model 1 vs model 2 are **insignificant** and **no impact**

Summary

Research Gap and Objectives

- Examines inconsistent findings on financial and macroeconomic factors affecting bank profitability and stock returns.
- Objectives: Analyze the impact of financial metrics and macroeconomic variables on financial performance and stock returns.

Model 1 Findings (Bank Profitability - ROA)

- Positive impact: NIM, CASA, BI, CPI.
- Negative impact: LDR, CIR, NPL, FX.
- No impact: CAR, PCR, GDP.

Model 2 Findings (Bank Stock Returns)

- Positive impact: LDR, CASA, CIR, NPL, ROA, JKSE, CPI.
- Insignificant impact: CAR, NIM, PCR, GDP, FX, BI.

Statistical Analysis

- F-test results: All independent variables significantly impact dependent variables.
- Adjusted R-squared: 79.01% (Model 1 ROA), 39.66% (Model 2 stock returns), remaining variations due to other factors.

7. What are you **expecting on ROA** since they are insignificant effect on ROA, such as CAR, Provision Coverage Ratio, FX and GDP? Are those figures be eliminated for?

$$\text{RoA} = -0.385323 - 0.624249\text{CAR} + 24.99121\text{NIM} - 1.934317\text{LDR} + 17.53797\text{CASA} - 3.761707\text{CIR} - 13.77069\text{NPL} + 1.398313\text{PCR} + 1.234756\text{GDP} - 1.695229\text{FX} + 5.148546\text{Birate} + 1.673387\text{CPI}$$

Where:

- C is the constant or intercept (-0.177355).
- CAR is the Capital Adequacy Ratio. **(Insignificant)**
- NIM is the Net Interest Margin. **(Highly Significance)**
- LDR is the Loan-to-Deposit Ratio. **(Marginally Significance)**
- CASA is the Current Account and Savings Account ratio. **(Highly Significance)**
- CIR is the Cost to Income Ratio. **(Highly Significance)**
- NPL is the Non-Performing Loans ratio. **(Highly Significance)**
- PCR is the Provision Coverage Ratio. **(Insignificant)**
- GDP is the Gross Domestic Product growth rate. **(Insignificant)**
- FX is the Exchange Rate (IDR/USD). **(Insignificant)**
- BI is the Bank Indonesia Interest Rate. **(Highly Significance)**
- CPI is the Consumer Price Index (inflation). **(Marginally Significance)**

- a. What do CAR, PCR, FX and GDP have to do with **ROA**?
- b. Do CAR affect this ROA, PCR affect ROA, FX affect ROA, and GDP affect ROA too?

Capital	CAR
Net Interest Margin	NIM
Loan to Deposit Ratio	LDR
CASA ratio	CASA
Cost to Income Ratio	CIR
Asset Quality	NPL
Provision Coverage Ratio	PCR

Controlled variables	Market Return	JKSE Return	[AR(1)-GARCH-AR(2)-GARCH]
GDP Growth Rate	GDP growth rate		$\frac{GDP_t - GDP_{t-1}}{GDP_{t-1}}$
Exchange Rate	FX		$\frac{USD}{IDR}$
BI Interest Rate	BI Rate		BI Interest Rate
Inflation	CPI		Consumer Price Index



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5. What are you **expecting on Stock Return** since they are insignificant effect on SR, such as; CAR, net interest margin, provision on coverage ratio, GDP, FX, BI? Are those figures be eliminated for?

a. What do CAR, NIM, PCR, GDP, FX, and BI have to do with **stock return**?

$$SR = -3.70605 - 0.762971CAR + 0.279948NIM + 3.199919LDR + 2.598099CASA + 1.789501CIR + 3.991548NPL + 1.463945PCR + 2.539828RoA + 13.72896GDP - 0.896233GDP + 1.039138 FX + 0.175881Birate + 2.050208CPI$$

Where:

- C is the constant or intercept (-24.38267).
- CAR is the Capital Adequacy Ratio. **(Insignificant)**
- NIM is the Net Interest Margin. **(Insignificant)**
- LDR is the Loan-to-Deposit Ratio. **(Highly Significance)**
- CASA is the Current Account and Savings Account ratio. **(Highly Significance)**
- CIR is the Cost to Income Ratio. **(Marginally Significance)**
- NPL is the Non-Performing Loans ratio. **(Highly Significance)**
- PCR is the Provision Coverage Ratio. **(Insignificant)**
- ROA is the Return on Assets. **(Significance)**
- JKSE is the Jakarta Composite Index (Market Return). **(Highly Significance)**
- GDP is the Gross Domestic Product growth rate. **(Insignificant)**
- FX is the Exchange Rate (IDR/USD). **(Insignificant)**
- BI is the Bank Indonesia Interest Rate. **(Insignificant)**
- CPI is the Consumer Price Index (Inflation). **(Significance)**

-----proposal thesis defense-----

Event	:	Proposal Thesis Defense
Date	:	Monday, July 22, 2024 at 5 PM
Student	:	Lindawati Octaviani (22232001)
Title	:	The Impact of Key Financial Factors and Macro-Economic Variables on Financial Performance and Stock Return on Indonesian Banks
Thesis Advisor(s)	:	Prof. Roy Sembel & Dr. Melinda Malau
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Comments;

1. What is the difference between **partial test** and **simultaneous test**?
2. What are the differences between **Chow test**, **Hausman test** and **LaGrange Multiplier Test**?
3. The samples are 42 data and these are consistent to 75%, 79%, 73% and 88% in terms of coverage percentages. **What does it mean?**

In terms of coverage, the selected banks were sampled based on various criteria, including total assets, total credit to customers, total deposits, and profit. The coverage percentages for these criteria are 75%, 79%, 73%, and 88%, respectively. This intentional selection ensures a comprehensive representation of the commercial banking industry, enhancing the study's ability to draw meaningful conclusions (Zikmund et al., 2013).



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4. You are selected all 12 KBMI, as stated below, however, those banks are not really relevant to compare them all because **Mandiri, BRI, BCA** and **BNI** are all above 20 billion as compared to other banks in KBMI 3. Those 4 banks reach up to about 85% of the total KBMI 3

No	Stock	Bank's Name	Total Asset (in IDR Billion) as of 31 Dec 2023	Total Credit to customers (in IDR Billion) as of 31 Dec 2023	Third Party Funds (in IDR Billion) as of 31 Dec 2023	Profit FY23 (in IDR billion)	Stock price in IDR tod amount as of 2 Jan 2024	Market capitalization in IDR bn	IPO date	How long IPO until now? (in year)	KBMI category
1	BMFI	Bank Mandiri	1,088,550.0	1,085,787.0	1,244,014.0	51,098.9	5,827	589	14-Jul-03	21.0	KBMI 4
2	BBFI	BRI	1,835,240.0	1,148,083.0	1,353,201.0	53,153.0	5,467	731	10-Nov-03	20.7	KBMI 4
3	BBCA	BCA	1,370,871.0	787,499.0	1,093,092.0	47,988.0	9,218	1,220	31-May-00	24.1	KBMI 4
4	BBNI	BNI	1,048,720.0	687,913.0	801,903.0	20,784.0	5,130	180	25-Nov-90	27.8	KBMI 4
5	SBTN	BTN	438,700.0	298,384.0	349,904.0	3,001.0	1,259	18	17-Dec-09	14.8	KBMI 3
6	BNVA	CPMB Niaga	327,941.0	200,095.7	236,849.5	6,109.0	1,600	45	29-Nov-89	34.8	KBMI 3
7	BNIS	Bank Syariah Indonesia	363,624.0	237,002.0	263,776.0	5,764.0	1,725	115	09-May-18	6.2	KBMI 3
8	BNJ	Bank Permata	257,484.0	142,198.0	188,312.0	2,585.0	896	32	15-Jan-00	34.5	KBMI 3
9	NISP	Bank OCBC NISP	348,757.0	153,496.8	181,755.0	4,091.0	1,140	68	20-Oct-94	29.7	KBMI 3
10	BTPN	Bank BTPN	181,241.0	145,173.0	142,198.0	3,101.0	2,576	24	12-Mar-08	18.3	KBMI 3
11	BDMN	Bank Danamon	202,571.0	144,643.0	139,222.5	3,004.0	2,662	25	06-Dec-89	34.6	KBMI 3
12	PRBH	Panin Bank	198,645.0	129,289.0	132,367.0	2,151.0	1,130	31	29-Dec-82	40.5	KBMI 3
Total sample			8,153,880.0	5,162,973.5	6,034,288.0	202,825.9					
Total commercial banks			11,785,838	7,186,935	8,487,929	243,326					
Sampling coverage			69%	72%	71%	83%					

5. There were some researches on ROA, Stock Returns, or both variable, but there were no studies to use the 7 key financial factors and 5 macroeconomic factors, in your slide about previous research.
- Who** said that the 7 key financial ratios (CAR, NIM, LDR, Current Account Savings Account, Cost to Income, Non-Performing Loan, Provision Coverage) are important? Are those researches by Sharpe, Penrose, DuPont, and Arbitrage Pricing Theory?
 - Do you think that those 7 key financial ratios are extremely important **why do those 7 key financial ratios are not discussed** based on the previous researches?
 - CASA will determine cheap funding as if this promotes financial performance because **CA + SA/total deposits**
6. You use **CAPM in 1964 by Sharpe**, then **Resource-Based View by Penrose in 1959**, then you also use **OJK's RBBR in 2016**, then you also used **DuPont Analysis in 1920** and you also used **Arbitrage Pricing Theory in 1970**, it is all going backward in time though.
- Which **one is the first to shape** your topic?
 - Can you relate them in time so they are not **going backward and forward** in time
 - So at the end, you are using **Arbitrage Pricing Theory to show up the regression** of financial ratios and macroeconomic factors?
7. EView?
8. Turn It In = 17% and this is good and passed the TII