

THE IMPACT OF RETURN ON EQUITY (ROE) ON BANKING STOCK PRICES BEFORE, DURING, AND AFTER THE COVID-19 PANDEMIC

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ABSTRACT

This study investigates the impact of Return on Equity (ROE) on banking stock prices in Indonesia across three distinct periods: before (2019), during (2020), and after (2022) the COVID-19 pandemic. Employing a quantitative approach with time series analysis, we examine data from 29 banks listed on the Indonesia Stock Exchange using Ordinary Least Squares regression. Our findings reveal a significant positive relationship between ROE and stock prices in 2019 and 2022, with adjusted R-squared values of 54.4% and 26.2%, respectively. However, during the pandemic in 2020, ROE showed no significant effect on stock prices, likely due to heightened market uncertainty and risk aversion. The study demonstrates that while ROE is a crucial indicator for investors during periods of economic stability, external factors may overshadow its influence during times of crisis. These results provide valuable insights for investors, regulators, and bank managers navigating the post-pandemic financial landscape, highlighting the changing dynamics of bank valuation and the relevance of traditional financial metrics in varying economic conditions.

Keywords: ROE, Stock Prices, Banking Sector, COVID-19, Investors.

INTRODUCTION

Stock trading is one of the most popular forms of investment in the world today, including in Indonesia. According to Fama (1970), stock prices serve as a critical indicator of a company's financial health and market perception, reflecting investors' expectations about future performance. Therefore, investors need to conduct an analysis in advance to minimize possible losses by looking at the company's. In the banking sector (Kevin et al., 2022) stock prices are particularly sensitive to various factors, including financial performance metrics such as Return on Equity (ROE) (Akhigbe et al., 2007). The COVID-19 pandemic has significantly impacted global financial markets, causing unprecedented volatility in stock prices across various sectors, including banking (Baker et al., 2020).

The banking industry experienced substantial fluctuations in stock prices during the pandemic period. As noted by Demirgüç-Kunt et al. (2020), prior to the outbreak, many banking stocks were performing well, buoyed by strong economic conditions and favorable interest rates. However, as the pandemic unfolded, banking stocks saw dramatic declines, reflecting concerns about potential loan defaults, economic slowdown, and regulatory pressures (Goodell, 2020).

The severe drop in stock prices during the early stages of the pandemic can be attributed to several factors. Ramelli and Wagner (2020) observed that investors' risk aversion increased sharply, leading to a flight to safety and liquidity. Moreover, the sudden economic shutdown raised concerns about banks' loan portfolios and potential credit losses, further depressing stock valuations (Li et al., 2020).

As governments and central banks implemented extensive monetary and fiscal measures to support economies, banking stocks began to recover, albeit unevenly (Alberola et al., 2021). This recovery phase presented an opportunity to examine how

traditional valuation metrics, such as ROE, influenced stock price movements in a rapidly changing economic landscape (Demirgüç-Kunt et al., 2021).

According to Fama and French (2006), the relationship between ROE and stock prices has been well-documented in financial literature. However, the extraordinary circumstances of the COVID-19 pandemic may have altered this relationship, potentially affecting how investors value banking stocks (Ding et al., 2021). Understanding these dynamics is crucial for investors, regulators, and bank managers navigating the post-pandemic financial landscape.

This study aims to investigate the impact of ROE on banking stock prices across three distinct periods: before, during, and after the COVID-19 pandemic. By examining this relationship, we seek to provide insights into the changing dynamics of bank valuation and the relevance of traditional financial metrics in times of extreme market stress and subsequent recovery.

MATERIALS AND METHODS

This study employs a quantitative approach with time series analysis to examine the impact of ROE on stock prices of Indonesian banking companies across three periods: pre-pandemic (2019), during pandemic (2020), and post-pandemic (2022). The population comprises all 47 banks listed on the Indonesia Stock Exchange (IDX) as of 2023, with a final sample of 29 banks selected through purposive sampling based on data availability. The data used in this study are secondary data obtained from financial reports published by the OJK and IDX

We utilize Ordinary Least Squares (OLS) regression to analyze the relationship between ROE (independent variable) and stock prices (dependent variable). The analysis includes several statistical tests to ensure model validity: linearity test, Spearman Rank Correlation test, heteroskedasticity test (Breusch-Pagan), coefficient of determination (R^2), Simultaneous F Test and T Parsial Test. To account for potential structural breaks due to the pandemic, we employ a Chow test. Robustness checks, including alternative model specifications and subsampling analyses, are conducted to ensure the reliability of the findings across different subsets of the data and time periods.

Tabel 1. Research sample selection criteria

| Description | Quantity |
|--|----------|
| Issuing banks on the Indonesia Stock Exchange 2023 that are currently operating in the stock market. | 47 |
| Bank issuers that do not have complete data according to research needs | 18 |
| Number of issuers that meet the sample criteria | 29 |

Source: Author's Processed Data, 2024

The model in this study used to test the effect of ROE on Stock Prices can be described as follows:

$$Y=a+bX+c$$

Description:

Y: Dependent variable (stock price)

X: Independent variable Return on Equity (ROE).

- a: Constant (intercept)
 b: Regression coefficient.
 e: Error or residual

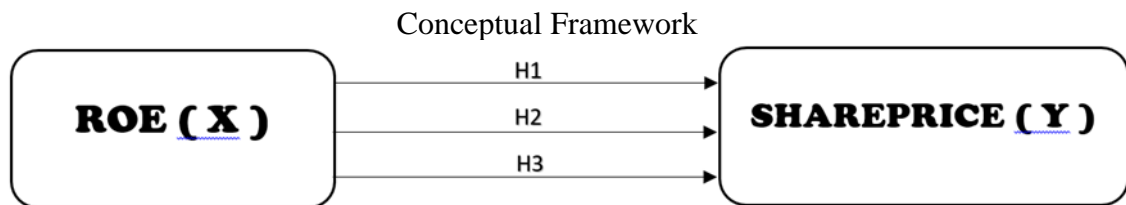


Figure 1. Research Conceptual Framework

Research Hypothesis

- Hypothesis for 2019 (Pre-Pandemic)
 H1: Return on Equity (ROE) has a significant positive effect on stock prices of Indonesian before of the COVID-19 pandemic
- Hypothesis for 2020 (During Pandemic)
 H2 : Return on Equity (ROE) has no significant effect on stock prices in Indonesia during the COVID-19 pandemic.
- Hypothesis for 2022 (Post-Pandemic)
 H3 : Return on Equity (ROE) has a significant positive effect on stock prices in Indonesia after the COVID-19 pandemic.

RESULTS AND DISCUSSION

According to Anshori & Iswati (2019), descriptive statistics are statistics for how to analyze data by describing the data that has been collected according to the actual situation without intending to make generalized conclusions. Thus, descriptive statistics will provide information on data such as mean, median, mode, variance, standard deviation, dispersion, and others related to the sample of variables in a study.

Tabel 2. Descriptive Statistics

| Descriptive Statistics | | | | | |
|-------------------------------|----|---------|---------|---------|----------------|
| | N | Minimum | Maximum | Mean | Std. Deviation |
| X1 | 29 | .0014 | .9100 | .128838 | .1983957 |
| X2 | 29 | .0029 | .7660 | .088769 | .1396813 |
| X3 | 29 | .0022 | .9900 | .126390 | .1789864 |
| Y1 | 29 | 3.91 | 9.59 | 6.9641 | 1.46944 |
| Y2 | 29 | 3.91 | 9.42 | 6.9907 | 1.41022 |
| Y3 | 29 | 4.38 | 9.20 | 7.0290 | 1.34193 |
| Valid N (listwise) | 29 | | | | |

Source: SPSS processed data version 23, 2024

Based on Table 2, it is known that there are 29 banks for each independent variable and the dependent variable. The independent variable ROE in 2019 has a minimum value of 0.0014 and a maximum value of 0.9100, with an average of 0.128838. 2020 has a minimum value of 0.0029 and a maximum value of 0.7660, with an average of 0.088769. Year 2022 has a minimum value of 0.0022 and a maximum value of 0.9900, with an average of 0.126390 Furthermore, the dependent variable, namely the share price (SP) in 2019, has a minimum value of 3.91 and a maximum value of 9.59, with an average of 6.9641. 2020, has a minimum value of 3.91 and a maximum value of 9.42, with an

average of 6.9907. Year 2022, has a minimum value of 4.38 and a maximum value of 9.20, with an average of 7.0290.

1. LINEARITY TEST

Table 3. Linearity Test
ANOVA Table

| | | | Sum of Squares | df | Mean Square | F | Sig. |
|-----------------------------|----------------|--------------------------|----------------|-------|-------------|---------|-------|
| SHAREPRICE2019 * ROE2019 | Between Groups | (Combined) | 59.183 | 23 | 2.573 | 10.087 | 0.009 |
| | | Linearity | 33.854 | 1 | 33.854 | 132.709 | 0.000 |
| | | Deviation from Linearity | 25.329 | 22 | 1.151 | 4.513 | 0.051 |
| | Within Groups | 1.276 | 5 | 0.255 | | | |
| | Total | 60.459 | 28 | | | | |
| SHAREPRICE2020 * ROE2020 | Between Groups | (Combined) | 1.368 | 26 | 0.053 | 29.826 | 0.033 |
| | | Linearity | 0.823 | 1 | 0.823 | 466.474 | 0.002 |
| | | Deviation from Linearity | 0.545 | 25 | 0.022 | 12.360 | 0.077 |
| | Within Groups | 0.004 | 2 | 0.002 | | | |
| | Total | 1.371 | 28 | | | | |
| SHAREPRICE2022 * ROE2022 | Between Groups | (Combined) | 41.048 | 25 | 1.642 | 6.702 | 0.297 |
| | | Linearity | 12.002 | 1 | 12.002 | 48.986 | 0.090 |
| | | Deviation from Linearity | 29.047 | 24 | 1.210 | 4.940 | 0.343 |
| | Within Groups | 0.245 | 1 | 0.245 | | | |
| | Total | 41.293 | 26 | | | | |

Source: SPSS processed data version 23, 2024

ROE and stock price variables are said to be linear if the linearity value is > 0.05 . It is known that the linearity value derived from the "Deviation from Linearity" line in the 2019 ANOVA table above is 0.051. And it is evident from the data above that the linearity test in 2019 ROE variable on stock price is LINEAR. In 2020, a linearity value of $0.077 > 0.05$ was obtained, so in 2020, the ROE variable on stock prices is LINEAR. Likewise, in 2022, a linearity value of $0.343 > 0.05$ was obtained, so in 2022, the ROE variable on stock prices is LINEAR.

2. Normality TEST

Table 3. Linearity Test

| | | | |
|--|-------------------------|--------------------|-------|
| Test Statistic | | 0.087 | |
| Asymp. Sig. (2-tailed) ^c | | 0.200 ^d | |
| Monte Carlo Sig. (2-tailed) ^e | Sig. | 0.827 | |
| | 99% Confidence Interval | Lower Bound | 0.817 |
| | | Upper Bound | 0.837 |
| Test Statistic | | 0.087 | |
| Asymp. Sig. (2-tailed) ^c | | 0.200 ^d | |
| Monte Carlo Sig. (2-tailed) ^e | Sig. | 0.827 | |
| | 99% Confidence Interval | Lower Bound | 0.817 |
| | | Upper Bound | 0.837 |
| Test Statistic | | 0.098 | |
| Asymp. Sig. (2-tailed) ^c | | 0.200 ^d | |
| Monte Carlo Sig. (2-tailed) ^e | Sig. | 0.663 | |
| | 99% Confidence Interval | Lower Bound | 0.651 |
| | | Upper Bound | 0.675 |
| Test Statistic | | 0.163 | |
| Asymp. Sig. (2-tailed) ^c | | 0.064 | |
| Monte Carlo Sig. (2-tailed) ^d | Sig. | 0.060 | |
| | 99% Confidence Interval | Lower Bound | 0.054 |
| | | Upper Bound | 0.066 |

Source: SPSS processed data version 23, 2024

From the One Sample Kolmogorov-Smirnov table above in the “Assymp. Sig (2-tailed)” it is known that the value for the normality test in 2019 is 0.2. A data is said to be normal if the normality test value is greater than 0.05. And it is proven that $0.2 > 0.05$, which means that the data for the ROE variable and the 2019 stock price are indicated to be NORMAL. In 2020, a normality test value of $0.2 > 0.05$ was obtained, meaning that the data for the ROE variable and the 2020 stock price indicated NORMAL. Likewise, in 2020, the normality test value is $0.064 > 0.05$, meaning that the ROE variable data and the 2022 stock price are also indicated as NORMAL.

3. HETEROSCEDASTICITY TEST

Table 4. Coefficients

| Coefficients^a | | | | | | |
|------------------------------------|-----------------------------|------------|-------|---------------------------|--------|--------------------|
| Model | Unstandardized Coefficients | | | Standardized Coefficients | t | Sig. |
| | B | Std. Error | Beta | | | |
| 1 | (Constant) | 0.067 | 0.011 | | 5.971 | 0.000 |
| | ROE2019 | -0.026 | 0.041 | -0.121 | -0.633 | 0.532 |
| a. Dependent Variable: ABS_RES2019 | | | | | | |
| 1 | (Constant) | 4.747E-16 | 0.178 | | 0.000 | 1.000 |
| | ROE2020 | 0.000 | 1.087 | 0.000 | 0.000 | 1.000 |
| a. Dependent Variable: ABS_RES2020 | | | | | | |
| 1 | Regression | 1.636 | 1 | 1.636 | 3.913 | 0.059 ^b |
| | Residual | 10.455 | 25 | 0.418 | | |
| | Total | 12.091 | 26 | | | |
| a. Dependent Variable: ABS_RES2022 | | | | | | |

Source: SPSS processed data version 23, 2024

From the table 4 Coefficients, the “ROE 2019” line it is known that the value for the heteroscedasticity test is 0.532. A data is said not to contain symptoms of heteroscedasticity if the value is > 0.05 . And it is proven that $0.532 > 0.05$, meaning that our data in 2019 does not contain symptoms of heteroscedasticity. The heteroscedasticity test value in 2020 is $1.000 > 0.05$, Then the data in 2020 does not contain symptoms of heteroscedasticity. The heteroscedasticity test value in 2022 is $0.059 > 0.05$, so the data in 2022 also does not contain symptoms of heteroscedasticity.

4. Determination Coefficient Test

It can be seen in the table 5 that the adjusted R Squared value in 2019 is 0.544, or the same as 54.4%. Contains the meaning that the influence of the ROE variable on the 2019 stock price is 54.4%. In 2020, the effect of the ROE variable and the 2020 stock price was 58.5%. In 2022, the effect of the ROE variable and the 2020 stock price was 26.2%.

Table 5. Model Summary

| Model Summary^b | | | | |
|------------------------------------|--------------------|----------|-------------------|----------------------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | 0.748 ^a | 0.560 | 0.544 | 0.99265 |
| a. Predictors: (Constant), ROE2019 | | | | |

| | | | | |
|---|--------------------|-------|-------|---------|
| 1 | 0.775 ^a | 0.600 | 0.585 | 0.14254 |
|---|--------------------|-------|-------|---------|

a. Predictors: (Constant), ROE2020

| | | | | |
|---|--------------------|-------|-------|---------|
| 1 | 0.539 ^a | 0.291 | 0.262 | 1.08244 |
|---|--------------------|-------|-------|---------|

a. Predictors: (Constant), ROE2022

Source: SPSS processed data version 23, 2024

5. T PARTIAL TEST

Table 6. ANOVA Tests

| ANOVA ^a | | | | | | |
|--------------------|------------|----------------|----|-------------|--------|--------------------|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 33.854 | 1 | 33.854 | 34.357 | 0.000 ^b |
| | Residual | 26.605 | 27 | 0.985 | | |
| | Total | 60.459 | 28 | | | |

a. Dependent Variable: SHAREPRICE2019

b. Predictors: (Constant), ROE2019

| | | | | | | |
|---|------------|--------|----|-------|-------|--------------------|
| 1 | Regression | 0.823 | 1 | 0.823 | 1.620 | 0.214 ^b |
| | Residual | 13.715 | 27 | 0.508 | | |
| | Total | 14.538 | 28 | | | |

a. Dependent Variable: SHAREPRICE2020

b. Predictors: (Constant), ROE2020

| | | | | | | |
|---|------------|--------|----|--------|--------|--------------------|
| 1 | Regression | 12.002 | 1 | 12.002 | 10.243 | 0.004 ^b |
| | Residual | 29.292 | 25 | 1.172 | | |
| | Total | 41.293 | 26 | | | |

a. Dependent Variable: SHAREPRICE2022

b. Predictors: (Constant), ROE2022

Source: SPSS processed data version 23, 2024

a. First Decision Making (Based on significance value)

It can be seen in the 2019 ANOVA table above, the significance value for the 2019 ROE and Share Price variables is 0.000. In this first decision making, if the significance value < 0.05 . Then it can be said that the ROE variable affects the stock price variable in 2019. Whereas in 2020, a significance value of $0.214 > 0.05$ is obtained, which means that the ROE variable has no effect on stock prices in 2020. Meanwhile, in the 2020 ANOVA table above, the significance value for the ROE variable and the 2022 Stock Price is 0.004. In this first decision making, if the significance value < 0.05 . Then it can be said that the ROE variable affects the stock price variable in 2022.

b. Comparing the T Table and T Count test values

Table 7. T tests

| Coefficients ^a | | | | | | |
|---------------------------|------------|-----------------------------|------------|-----------------------------------|--------|-------|
| Model | | Unstandardized Coefficients | | Standardized Coefficients Beta | t | Sig. |
| | | B | Std. Error | | | |
| 1 | (Constant) | 6.345 | 0.212 | | 29.859 | 0.000 |
| | ROE2019 | 4.499 | 0.768 | 0.748 | 5.861 | 0.000 |

a. Dependent Variable: SHAREPRICE2019

| | | | | | | |
|---------------------------------------|------------|-------|-------|-------|--------|-------|
| 1 | (Constant) | 6.882 | 0.158 | | 43.661 | 0.000 |
| | ROE2020 | 1.227 | 0.964 | 0.238 | 1.273 | 0.214 |
| a. Dependent Variable: SHAREPRICE2020 | | | | | | |
| 1 | (Constant) | 6.458 | 0.246 | | 26.262 | 0.000 |
| | ROE2022 | 3.317 | 1.036 | 0.539 | 3.200 | 0.004 |
| a. Dependent Variable: SHAREPRICE2022 | | | | | | |

Source: SPSS processed data version 23, 2024

T-table with the formula $(a/2 : n-k-1)$, known a is the coefficient of determination, n is the number of samples, k is the number of x variables. Then the T-Table value can be calculated:

$$\begin{aligned} T - \text{table} &= (0.05/2 : 29-1-1) \\ &= (0.025 : 27) \\ &= 2.052 \end{aligned}$$

In this test, a data will be said to be influential if T - count is greater than T - table. known T table is $2.052 < 5.861$ T-count value. So in 2019 the ROE data on stock prices HAS AFFECTED. Meanwhile, in 2020, it is known that the T-count value is $1.273 < 2.052$ T table, so the ROE variable has NO EFFECT on stock prices in 2020. Meanwhile, in 2020, T- table $2.052 < 3.200$ T-count, then ROE data on stock prices AFFECTED.

SIMULTANEOUS F TEST

The F-table in table 6, formula is $(k : n - k)$ with a is the coefficient of determination, n is the number of samples, k is the number of x variables. Then the value of F - Table can be calculated:

$$\begin{aligned} F - \text{table} &= (1 : 29 - 1) \\ &= (1 : 28) \\ &= 4.196 \end{aligned}$$

In this test, a data will be said to be influential if F - count is greater than F - table. known F table is $4.196 < 34.357$ T value. So in 2019 ROE data on stock prices HELPFUL. Meanwhile, in 2020, F-count $1,620 < 4,196$. So in 2020 ROE data on stock prices DOES NOT HELP. In 2022 F - count is greater than F - table. known F table is $4.196 < 10.243$ T value. So in 2019 ROE data on stock prices HAS AFFECTED.

The effect of ROE variables on stock prices in 2019

Based on the partial test results that have been carried out, it is known that the significance value (Sig.) is $0.214 >$ probability 0.05. In addition, it is known that the T-count value is $1.620 < 2.052$ and F count $34.357 > 4.196$. so it can be concluded that H1 is accepted, meaning that the ROE variable (X1) AFFECTS the Stock Price variable (Y).

Return On Equity (ROE) shows a significant influence on the share price of companies engaged in the property and real estate sector listed on the Indonesia Stock Exchange between 2015 and 2019, as revealed by Pratama et al. (2019). This study shows that an increase in ROE tends to be accompanied by an increase in stock price. Additionally, it was found by Meilani and Pradistya (2020), that ROE contributed positively to stock prices in the property sector on the Indonesia Stock Exchange during the 2015-2019 period. This study uses multiple linear regression analysis to link ROE with stock price movements. Furthermore, there is a significant influence between ROE and stock prices in banking companies listed on the IDX for the 2019 period, where an increase in ROE contributes to an increase in stock prices (Fitriano & Herfianti, 2021).

The effect of ROE variables on stock prices in 2020

Based on the partial test results that have been carried out, it is known that the significance value (Sig.) is $0.000 < 0.05$ probability. In addition, it is known that the T-count value is $5.861 > 2.052$ and F count $1.620 < 4.196$ F - table. so it can be concluded that H2 is accepted, meaning that the ROE variable (X2) has NO EFFECT on the Stock Price variable (Y) in 2020.

Previous researchers have shown that ROE has no significant impact on stock prices during periods of economic uncertainty, including in 2020 when the banking market was depressed by the pandemic (Pratama & Erawati, 2014). Additionally, Raharjo & Muid (2013) found that ROE has no significant effect on stock prices, especially in economic crisis conditions such as the COVID-19 pandemic in 2020. Market instability reduces the relevance of ROE as a leading indicator of investment. According to Kartiko & Rachmi (2021), during the COVID-19 pandemic, ROE has no significant effect on stock prices in the banking sector, where high uncertainty makes investors focus more on other factors such as liquidity and risk.

The effect of ROE variables on stock prices in 2022

Based on the partial test results that have been carried out, it is known that the significance value (Sig.) is $0.004 < 0.05$ probability. In addition, it is known that the T-count value is $3.2 > 2.052$ T-table and F-count $10.243 > 4.196$ F-table. so it can be concluded that H3 is accepted, meaning that the ROE variable (X2) AFFECTS the Stock Price variable (Y) in 2020.

Ummah, Zuraidah dan Hariyanti (2023) found that Return on Equity (ROE) has a significant and positive effect on the share price of banking companies listed on the Indonesia Stock Exchange (IDX) during 2022. A high ROE reflects the company's ability to generate better profits, which in turn increases the share price. The higher the ROE, the greater the increase in share prices, especially in the banking sector in Indonesia in 2022, because investors tend to see ROE as a leading indicator of profitability (Eriana & Kurniasih, 2024). Furthermore, ROE remains one of the most significant factors in influencing stock prices, especially in the banking sector during the economic recovery phase in 2022 after the pandemic (Kartiko & Rachmi, 2022).

Results and Discussion

1. Year 2019 (Before Pandemic)

In 2019, the global and Indonesian economies remained stable, and the banking industry experienced good performance. ROE as an indicator of profitability shows how efficiently a company uses its equity to generate profits. In a stable economic situation, investors pay close attention to ROE as it shows the potential return on investment. Therefore, it is natural that in 2019 ROE has a significant effect on stock prices. Positive banking performance is reflected in stock prices, which tend to increase along with an increase in the company's profitability. In that year, the value of ROE was indeed an indicator that was maintained or increased by every company because it was able to predict stock prices (Harinuridin, 2023)

Banking ROE data (2019): The average ROE of banks in the banking sector in 2019 ranged from 10%-20% for major banks in Indonesia. Banks such as Bank Rakyat Indonesia (BRI), Bank Mandiri, and Bank Central Asia (BCA) recorded stable ROE, reflecting efficiency in the use of equity capital. This is supported by several previous researchers. And the research conducted Sari (2021), states that his research, that ROE has a positive and significant influence on the variable share price of the banking sector for the period 2016-2019.

Share Price: The share prices of banks in 2019 have risen significantly. For example: Bank BCA (BBCA) rose from around Rp26,000 at the beginning of 2019 to around Rp31,000 at the end of the year.

Bank BRI (BBRI) also recorded an increase from IDR3,000 to around IDR4,200 by the end of 2019.

Relationship between ROE and Share Price: This data shows that the high ROE of banks in 2019 correlated with rising share prices, driven by stable economic conditions and investors' expectations of bank performance.

2. Year 2020 (Pandemic Time)

In 2022, with the economic recovery that began after the pandemic subsided, the banking sector experienced a recovery. Under these conditions, profitability is again a key concern for investors, including indicators such as ROE. A stabilizing economy and government policies to promote economic recovery helped boost investor confidence.

Bank ROE data (2020): The COVID-19 pandemic had a major impact on the banking sector. ROE fell significantly in many banks. For example, BRI and BCA recorded a decline in ROE to around 7%-10% due to the increase in non-performing loans and a decline in loan demand. This aligns with research conducted by (Laia et al., 2023), where Return on Equity partially has no significant effect on the price of shares listed on the Indonesia Stock Exchange.

Share Price: Banking share prices plummeted during the pandemic:

Bank BCA dropped from Rp31,000 to around Rp25,000 in mid-2020.

Bank BRI also saw a drop from IDR4,200 to around IDR2,500 in mid-2020.

Relationship between ROE and Share Price: In 2020, despite the decline in ROE, the main factor affecting stock prices was global uncertainty due to the pandemic. Investors focused more on banks' liquidity and solvency risks. This explains why ROE did not have a significant effect on stock prices this year, as external risk factors had a stronger influence on stock price movements.

However, in 2022, ROE will again have a significant effect on stock prices as it reflects the efficiency of banks in generating profits, which is again relevant for investment decisions.

3. Year 2022 (After the Pandemic)

In 2022, with the economic recovery starting to take place after the pandemic subsided, the banking sector experienced a recovery. Under these conditions, profitability returned to the forefront of investors' minds, including indicators such as ROE. The stabilizing economy and government policies to promote economic recovery helped boost investor confidence. Hal ini juga diperkuat oleh. (Maftukhah & Festiana, 2024), bahwa ROE memiliki pengaruh yang signifikan terhadap harga saham, karena terdapat hubungan positif antara pemulihan ekonomi dan kinerja perusahaan.

Banking ROE data (2022): In 2022, the banking sector started to recover along with the economic recovery. ROE of major banks increased again, with major banks such as BRI and BCA recording ROE above 15%-18%. The recovery of non-performing loans and increased demand for credit supported their financial performance.

Share Price: Banking share prices also recovered in 2022:

Bank BCA rose from Rp27,000 at the beginning of the year to around Rp30,000 by the end of the year.

Bank BRI returned to a level of around Rp4,000-4,200.

Relationship between ROE and Share Price: In 2022, investors again paid attention to profitability such as ROE as a key indicator in assessing bank performance.

This explains why ROE again has a significant effect on stock prices, as the economic recovery makes investors focus more on banks' ability to generate profits. Thus, in 2022, ROE again has a significant effect on stock prices because it reflects the efficiency of banks in generating profits, which is again relevant for investment decisions.

CONCLUSIONS

- The ROE variable has a positive influence on the stock price variable in banking companies in the 2019 period (Before the pandemic).
- The ROE variable does not have a significant effect on the stock price variable in banking companies for the period 2020 (During a pandemic)
- The ROE variable has a positive influence on the stock price variable in banking companies for the 2022 period (After a pandemic).

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