ABSTRACT

This study aims to obtain empirical evidence about the effect of financial ratio toward stock return, which refers to study by Suardana (2007). Different to Suardana (2007) research, this study adds inflation and exchange rate variables which was proved significantly influence to stock return (Prihantini, 2009) Independent variables used in this study were capital adequacy ratio, non performing loan, operating expense to operating income, return on assets, loan to depisit ratio, inflation and exchange rate, year observation from 2008-2010. Dependent variable used in this study was total stock return.

This study used quantitative method to financial statement of banking companies listed in Indonesia Bursa Efek Indonesia period 2008-2010. By using purposive sampling method, it's found 21 firm's sample with 63 observation. Data analysis was performed with the classical assumption and hypothesis testing with multiple linear regression method.

The result of this study indicated that partially only inflation that influences negatively significant to the stock return of go public banking companies in the Bursa Efek Indonesia. While the result of partial test for CAR, NPL, OEOI, ROA, LDR and exchange rate showed that partially they didn't influence significantly to the stock return of go public banking companies in the Bursa Efek Indonesia. The result for the simultaneous test showed that there is influence between CAR, NPL, OEOI, ROA, LDR, inflation and exchange rate to the stock return of go public banking companies in the Indonesia Stock Exchange (IDX). The influence is 37,1 %. The other 62,9 % influenced by another factor outside the research or the regression model. The implications of this study showed that financial performances on certain economic conditions, does not influences to decision of investors in capital market.

Keywords: capital adequacy ratio, non performing loan, operating expense to operating income, return on assets, loan to depisit ratio, inflation exchange rate and stock return