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The Effect of Third Party Funds, Loans Disbursed, and Allowance for Impairment Losses for Loans on Stock Prices: Empirical Study on Conventional Banking Companies Listed on the Indonesia Stock Exchange for the 2023–2025 Period

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Stock Price, Third Party Funds, Loans Disbursed, Allowance for Impairment Losses for Loans.

Abstract

This study aims to analyze the effect of Third Party Funds (DPK), Loans Disbursed, and Allowance for Impairment Losses for Loans (CKPN) on Stock Prices of conventional banking companies listed on the Indonesia Stock Exchange for the period 2023–2025. The study is motivated by the empirical phenomenon of declining banking stock prices concurrent with increasing net income, indicating that investor decision making is not exclusively driven by profitability considerations, but also encompasses fund mobilization, credit disbursement, and credit risk management practices.

This study employs a quantitative approach with panel data regression analysis. The sample was determined using purposive sampling, yielding 39 banking companies with a total of 117 observations over the study period. Data analysis was conducted using EViews 12, encompassing descriptive statistics, classical assumption tests, panel data model selection, and hypothesis testing using the Random Effect Model (REM).

The results indicate that Third Party Funds, Loans Disbursed, and CKPN jointly exert a significant effect on Stock Price. On a partial basis, Third Party Funds exert a positive and significant effect on Stock Price; Loans Disbursed do not exert a significant effect on Stock Price; and CKPN exerts a positive and significant effect on Stock Price. These findings are consistent with Signaling Theory, which posits that information relating to fund mobilization and credit risk management constitutes an important signal for investors in assessing banking company prospects.

This study, therefore, highlight the importance of third-party fund mobilization and credit risk management as key determinants of stock prices in the Indonesian banking sector.

INTRODUCTION

Capital markets play a strategically significant role in modern economic systems by facilitating the funding needs of the corporate sector while providing investment instruments for the public. Fahmi (2014) defines the capital market as a platform through which various parties, particularly corporations, conduct the sale of financial instruments such as stocks and bonds for the purpose of obtaining additional capital to strengthen their financial structures. As investment instruments traded on exchanges, stocks are defined by Fahmi (2014) as instruments that represent proof of ownership in a company. Investors are generally attracted to stocks with promising business prospects and sound performance management. The value of stock instruments traded on the exchange is highly dynamic, with prices continuously fluctuating in response to market supply and

demand (Fajryanti & Zuhri, 2021). Such fluctuations must be carefully monitored by industry participants, as Yoewono and Ande (2018) assert that stock prices are highly sensitive to circulating information, and their fluctuation directly impacts bank capital. Declines in stock value risk a significant or exponential reduction in a bank's capital structure, such that stock price volatility is directly proportional to fluctuations in bank capital.

In the Indonesian capital market, banking sector stocks have consistently been a primary choice for investors due to their important role in national financial stability. Marwansyah (2016) affirms that the performance of banking institutions, from both the public and private sectors, constitutes the primary pillar supporting a nation's economic strength. The good performance of these banking institutions is critical given their role in managing the flow of public funds and facilitating financial transactions. This characteristic is based on the fundamental function of banking, wherein banks act as intermediary institutions that mobilize funds from the public and redistribute them in the form of credit and other financial services to enhance societal welfare (Wirantika & Awali, 2024).

The Financial Services Authority (Otoritas Jasa Keuangan/OJK), as the banking regulator, enforces strict supervision based on capital scale. Under OJK Regulation No. 12/POJK.03/2021, the OJK classifies banks according to their Core Capital into four categories. Since the inception of OJK regulation, four conventional banks have been classified under the Core Capital Based Bank Group Category 4 (KBMI 4), each holding core capital of more than IDR 70 trillion: PT Bank Rakyat Indonesia (Persero) Tbk, PT Bank Mandiri (Persero) Tbk, PT Bank Negara Indonesia (Persero) Tbk, and PT Bank Central Asia Tbk.

Beyond the operational performance, the transparency of financial reporting serves as a communication mechanism or signal from management to the market. Periodic growth in net income is regarded as a success indicator capable of strengthening investor confidence and driving investment value appreciation. Signaling Theory, as elaborated by Hartono (2017), constitutes a mechanism for providing information intended to indicate or notify market participants (investors) as a basis for strategic decision making. This is consistent with Signaling Theory, wherein every announcement or data published by management serves as guidance for investors regarding a company's prospects.

Based on Signaling Theory, an increase in net income is categorized as a positive signal (good news) regarding a company's future growth prospects. This positive sentiment is theoretically expected to drive increased market demand for the company's shares, which in turn leads to the appreciation or increase of stock prices on the exchange. This view is supported by Devi et al. (2022), who argue that profitability represents the most critical indicator for measuring the sustainability of a business entity, whether privately or publicly owned. This principle applies fully to the banking industry, which is perpetually oriented towards profit generation to ensure stable and sustainable operations. On the other hand, when market information is negative (bad news), it is expected to trigger a decline in stock prices (Shaliha & Prastiwi, 2023).

The dynamics of the Indonesian capital market in 2024 presented conditions that contradicted this theoretical ideal, particularly among the largest conventional banks under the KBMI 4 category. This group of banks is consistently held to high standards of accountability. Hidayati and Sugiyono (2026) assert that, from the perspective of Agency Theory, credit risk management and fund mobilization represent the form of managerial accountability to shareholders. This aims to minimize conflicts of interest between both parties through optimal resource and risk management.

Empirical data indicate that although these major banks achieved positive average net income growth throughout 2024, recording an average increase of 4.2%, the average stock prices of all four banks simultaneously experienced a downward trend, with an average decline of 13%. This empirical gap observed in 2024 makes this an important topic for further research. The decline in market capitalization amidst rising average earnings implies that investor valuation is not exclusively anchored in profitability.

One of the primary activities of banking institutions is the mobilization of public funds. Third Party Funds (Dana Pihak Ketiga/DPK) encompass all deposits collected by banks from the public, both individuals and corporate entities, through various deposit products, including current accounts, savings accounts, and time deposits. The magnitude of third-party funds mobilized by a bank reflects a high level of customer loyalty and trust, which subsequently strengthens the bank's stock price in the capital market (Putra & Riza, 2021). Within the DPK component, there exists a low-cost funding instrument known as CASA (Current Account Savings Account). An increase in the CASA component within the Third Party Fund structure is perceived by investors as a favourable profitability indicator, thereby stimulating higher demand for shares and ultimately leading to appreciation in the bank's stock price on the exchange (Shaliha & Prastiwi, 2023). National banking loan growth is closely linked to third-party fund (DPK) mobilisation, which Pasaribu and Mindosa (2021) regard as the most critical liquidity instrument. Higher volumes of funds deposited by the public create a strong funding base for credit expansion. This condition has rendered the Indonesian banking industry highly dependent on third-party funds to sustain its core function as a financial intermediary institution.

In addition to fund mobilization, another primary banking activity is the disbursement of funds to the public through loans. One of the main sources of banking income derives from interest on loans extended to individuals and institutions. The management of this variable continues to yield inconsistent results among prior researchers, representing a research gap. The study conducted by Rizkia (2023) on banking sub sector companies for the period 2019–2021 demonstrated that loans disbursed, measured by the Loan to Deposit Ratio (LDR), exerted a positive and significant influence on stock prices. This is attributed to the finding that an increase in the LDR ratio enhances investors' positive perception of company performance, whereby investors view such banks as effective in channeling public funds into productive, revenue generating assets. By maintaining the LDR at a reasonable level, banks convey a positive signal that supports market confidence and drives stock price appreciation. In contrast, research conducted by Efriyanto and Azali (2024) on Bank Rakyat Indonesia (2017-2023) found that the LDR did not exert a partial effect on stock prices. This inconsistency is further reinforced by the findings of Medyawicesar et al. (2018), who demonstrated that loans disbursed, as measured by the LDR, can impair bank liquidity when the ratio is excessively high—because the funds required to finance credit are too large thereby eroding investor confidence, reducing demand for shares, and ultimately depressing stock prices.

The Allowance for Impairment Losses for loans (Cadangan Kerugian Penurunan Nilai/CKPN) represents a form of prudential management in banking operations. In accordance with Bank Indonesia Regulation No. 14/15/PBI/2012, banks are required to establish a CKPN as a provision when the carrying amount of a financial asset falls below its initial recognition value. A significant increase in provisioning may be interpreted as the application of prudential banking principles and reflects management's confidence that current expenses will reverse into future gains, thereby potentially generating positive market sentiment under stable market conditions.

Research conducted by Subroto and Purwanti (2023) demonstrated that CKPN significantly enhances bank profitability. A higher CKPN to productive assets ratio was found to be associated with increased profitability as measured by Return on Assets (ROA), interpreted as a positive signal for investors, whereby adequate provisioning is considered to enhance the bank's health and resilience in mitigating future credit risk.

However, an alternative perspective exists: Alam and Tui (2023) explain that the increasing of non performing loans compel banks to increase CKPN formation, and that the resulting provisioning costs reduce net income. This decline in earnings has a systemic impact on reduced profitability, given that a bank's capacity to generate returns is heavily influenced by the volume of earnings recorded. Meanwhile, the findings of Shaliha and Prastiwi (2023) indicate that CKPN, as measured by the Loan Loss Provision (LLP) ratio, does not exert a significant influence on stock prices. This is attributed to the finding that during periods of crisis, investors regard provisioning information as uncertain and therefore do not treat it as the primary basis for investment decisions. Drawing on the findings of Ahmed et al. (1999), capital market participants tend not to interpret the formation of Allowance for Impairment Losses for loans (CKPN) as an indicator of future banking financial strength. Rather, investors respond negatively to increases in loan loss provisions (LLP), perceiving them as an operating expense component that significantly erodes bank profitability in the current period, thereby triggering a decline in stock returns.

Accordingly, the inconsistency in prior research findings (research gap) and the identification of an empirical gap specifically, the decline in average stock prices among KBMI 4 banks amidst positive average operating income growth in 2024 provide the primary justification for this study. This research is conducted to empirically analyze the extent to which the variables of Third Party Funds (DPK), Loans Disbursed, and Allowance for Impairment Losses for Loans (CKPN) influence stock prices, and to further examine the factors shaping market behavior in response to the fundamental performance of banking institutions over the period 2023–2025. Based on the foregoing background, the researcher presents this study under the title: "The Effect of Third Party Funds, Loans Disbursed, and Allowance for Impairment Losses for Loans on Stock Prices (An Empirical Study of Conventional Banking Companies Listed on the Indonesia Stock Exchange for the Period 2023–2025)".

METHODS

This study uses a quantitative approach using secondary data obtained from the official Annual Financial Reports of each respective bank, downloaded from the Indonesia Stock Exchange (IDX) website or the official websites of the respective banks. The data used in this study are panel data (cross sectional and time series), drawn from various conventional banking companies over an observation period of three years: 2023, 2024, and 2025.

The data sources consist of annual reports derived from balance sheets. The first independent variable, Third Party Funds (X1), is obtained from the Liabilities section and comprises customer deposits and interbank deposits. Customer deposits consist of current accounts, savings accounts, and time deposits. Third Party Funds, encompassing both customer deposits and interbank deposits, originate from both third parties and related parties. The second independent variable, Loans Disbursed (X2), is obtained from the Assets section and comprises

loans extended to third parties and related parties. The third independent variable, Allowance for Impairment Losses for Loans/CKPN (X3), is obtained from the Assets section, specifically the Allowance for Impairment Losses on Loans Disbursed. The dependent variable in this study is Stock Price, defined as the closing price at the end of the fiscal years 2023, 2024, and 2025.

This quantitative study applies both descriptive and verificative statistical approaches. This methodological combination was selected to describe the validity of empirical conditions and to systematically analyze the pattern of relationships among variables. Through the descriptive approach, the researcher aims to present an accurate characterization of the subjects or topics under investigation (Syahrizal & Jailani, 2023). The verificative analysis, in turn, is employed to uncover causal relationships among variables through hypothesis testing based on statistical computation (Febriyanti, 2023).

The data analysis process begins with data cleaning and validity verification. This step is critical to address potential large volumes of missing values and to detect extreme values (outliers) that risk distorting the accuracy of estimation results. In addition to handling outliers, data transformation (such as natural logarithm transformation or other mathematical transformations) will be applied where necessary to ensure data meet the assumptions of linearity and normal distribution. The emphasis on transformation in this study is driven by the substantial differences in units of measurement across variables; specifically, the independent variables comprising Third Party Funds (DPK), Loans Disbursed, and Allowance for Impairment Losses for Loans (CKPN) are measured in nominal values on a scale of trillions of rupiah, while the dependent variable, Stock Price, is measured in thousands of rupiah.

As argued by Sugiyono (2020), the sampling technique is the method employed to draw a sample in research. Purposive sampling was applied to determine the sample based on predetermined criteria: conventional banking sector companies listed on the Indonesia Stock Exchange throughout the research period and possessing complete financial data. Based on these criteria, the usable data supporting this study comprises 117 observations from 39 banks.

Following the completion of all data preparation and cleaning stages, descriptive analysis was applied to provide a comprehensive overview of the fundamental characteristics of each variable, including mean, median, maximum, minimum, and standard deviation. Subsequently, Pearson correlation analysis was conducted to measure the degree of linear association among variables, while also serving as a preliminary screening for multicollinearity.

To ensure that the constructed linear regression model satisfies the criteria of the Best Linear Unbiased Estimator (BLUE), a series of classical assumption tests was conducted. These tests comprise the normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test.

Given the panel data structure of this study, the most appropriate estimation model was determined through three sequential tests: the Chow Test, the Hausman Test, and/or the Lagrange Multiplier Test. These tests aim to identify the most efficient model among the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM).

The final stage of data analysis involves hypothesis testing and goodness of fit evaluation. Overall model adequacy is assessed using the F-test, while the explanatory power of the independent variables over the variation in the dependent variable is indicated by the coefficient of determination (R^2). Partial significance testing is conducted via the t-test to determine whether Third Party Funds (DPK), Loans Disbursed, and Allowance for Impairment Losses for Loans (CKPN) individually exert a significant effect on Stock Price.

RESULTS AND DISCUSSION

RESULTS

Descriptive Statistical Analytic

	Stock Price (Y)	Third Party Funds (X1)	Loans Disbursed (X2)	Allowance for Impairment Losses for Loans (X3)
Mean	6.366131	17.55228	1.72E+08	7310522.
Median	6.551080	17.10672	18628743	604816.0
Maximum	9.177301	21.33175	1.85E+09	79924211
Minimum	3.401197	13.73971	2666031.	31903.00
Std. Dev.	1.523843	1.761505	3.59E+08	16065783
Observations	117	117	117	117

Descriptive statistical analysis was applied to provide a general overview of the fundamental characteristics of each variable employed in the study. These characteristics include the mean, median, maximum value, minimum value, and standard deviation.

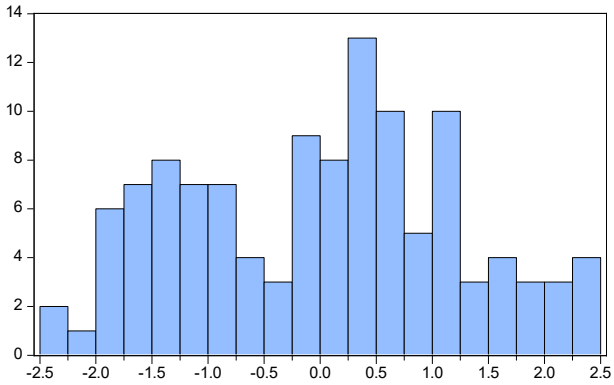
Based on data processing using EViews software on 117 observations (N = 117) from conventional banking companies listed on the Indonesia Stock Exchange (IDX) for the period 2023–2025, the following descriptive statistics were obtained:

1. The Stock Price variable, measured using the year end closing price, was transformed into its natural logarithm form. The analysis yielded a mean of 6.366131 and a median of 6.551080. Over the 2023–2025 observation period, the maximum value was recorded at 9.177301 and the minimum at 3.401197. The standard deviation of 1.523843 lower than the mean indicates that the distribution of the Stock Price variable in natural logarithm form is relatively stable, with no extreme fluctuations across observations.
2. The Third Party Funds variable, similarly, transformed into natural logarithm form, yielded a mean of 17.55228 and a median of 17.10672. The maximum fund mobilization volume was 21.33175, while the minimum was 13.73971. The standard deviation of 1.761505 reflects a relatively homogeneous degree of data variation, clustered around the mean, within the studied group of conventional banks.

3. Unlike the preceding variables, the Loans Disbursed variable (X2) was retained in its original nominal scale to avoid the risk of perfect multicollinearity, which could compromise model stability. This variable yielded a mean of 1.72×10^8 (172,000,000) and a median of 18,628,743. The maximum credit disbursement reached 1.85×10^9 (1,850,000,000), while the minimum was 2,666,031. The substantially large standard deviation of 3.59×10^8 exceeding the mean indicates a very wide dispersion in credit disbursement volumes, attributable to differences in core capital scale across the sampled conventional banks.
4. The Allowance for Impairment Losses for Loans (CKPN) variable on loans disbursed was retained in its original nominal form to preserve compliance with the non multicollinearity assumption. The estimated mean provision for credit risk was 7,310,522, with a median of 604,816. The maximum provisioning recorded among the sampled banks was 79,924,211, while the minimum was 31,903. The standard deviation of 16,065,783 indicates high volatility and a wide disparity in provisioning levels, directly reflecting differences in risk management practices and productive asset quality across the sampled conventional banks during the 2023–2025 period.

Classical Assumption Tests

Normality Test



Series: Standardized Residuals
Sample 2023 2025
Observations 117

Mean	1.48e-15
Median	0.181449
Maximum	2.395647
Minimum	-2.325660
Std. Dev.	1.218688
Skewness	0.000209
Kurtosis	2.110193
Jarque-Bera	3.859813
Probability	0.145162

Based on the normality test using the Jarque Bera method, a probability value of 0.145162 was obtained. This value exceeds the significance threshold of 0.05, indicating that the residuals of this study follow a normal distribution. Accordingly, the regression model satisfies the normality assumption.

Multicollinearity Test

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
Third Party Funds (X1)	0.009373	229.7771	2.271770
Loans Disbursed (X2)	8.79E-19	10.90198	8.862615

Allowance for Impairment Losses for Loans (X3)	4.06E-16	9.892062	8.183080

Based on the multicollinearity test using the Variance Inflation Factor (VIF), all independent variables were found to have Centered VIF values below 10. The VIF for Third Party Funds was 2.271770, for Loans Disbursed 8.862615, and for CKPN 8.183080. It is therefore concluded that the regression model does not exhibit multicollinearity.

Autocorrelation Test

Weighted Statistics			
R-squared	0.155357	Mean dependent var	0.809307
Adjusted R-squared	0.132933	S.D. dependent var	0.292878
S.E. of regression	0.272718	Sum squared resid	8.404374
F-statistic	6.928109	Durbin-Watson stat	1.890858
Prob(F-statistic)	0.000253		

Based on the autocorrelation test using the Durbin-Watson statistic, a DW value of 1.890858 was obtained. With 117 observations and 3 independent variables, the upper bound dU = 1.7512 and 4-dU = 2.2488. Since the Durbin-Watson statistic falls between dU and 4-dU (1.7512 < 1.890858 < 2.2488), it is concluded that the regression model does not exhibit autocorrelation.

Heteroscedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Third Party Funds (X1)	-0.140417	0.077426	-1.813576	0.0724
Loans Disbursed (X2)	2.44E-10	4.23E-10	0.576430	0.5655
Allowance for Impairment Losses for Loans (X3)	-3.77E-09	9.91E-09	-0.380246	0.7045

Based on the heteroscedasticity test, all independent variables yielded probability values exceeding 0.05 specifically, 0.0724 for Third Party Funds, 0.5655 for Loans Disbursed, and 0.7045 for CKPN. It is therefore concluded that the regression model does not exhibit heteroscedasticity.

Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross section F	57.240880	(38,75)	0.0000
Cross section Chi square	397.948073	38	0.0000

The Chow Test was employed to determine whether the Common Effect Model or the Fixed Effect Model is more appropriate. H_0 is rejected when the F-statistical probability is less than the significance level of 0.05, where H_0 represents the pooled least squares model, and H_1 represents the Fixed Effect Model. The redundant fixed effects likelihood ratio yielded an F-statistical probability of 0.0000, which is less than 0.05; therefore, H_0 is rejected in favor of H_1, and the Fixed Effect Model is selected at this stage.

Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross section random	2.694524	3	0.4412

The Hausman Test was conducted to determine the more appropriate model between the Fixed Effect Model and the Random Effect Model in panel data estimation. If the probability of the cross section random statistic is less than 0.05, the Fixed Effect Model is preferred; if it exceeds 0.05, the Random Effect Model is preferred. The Hausman Test yielded a cross section random probability of 0.4412, which exceeds 0.05. Accordingly, the Random Effect Model (REM) is selected as the most appropriate estimator.

Random Effect Model Estimation Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Third Party Funds (X1)	0.265153	0.124239	2.134216	0.0350
Loans Disbursed (X2)	-1.59E-10	5.13E-10	-0.309232	0.7577
Allowance for Impairment Losses for Loans (X3)	3.03E-08	1.36E-08	2.232605	0.0275
Constant	1.517943	2.119775	0.716087	0.4754
Effects Specification				
			S.D.	Rho
Cross section random			1.230170	0.9530
Idiosyncratic random			0.273087	0.0470
Weighted Statistics				
R-squared	0.155357	Mean dependent var		0.809307
Adjusted R-squared	0.132933	S.D. dependent var		0.292878
S.E. of regression	0.272718	Sum squared resid		8.404374
F-statistic	6.928109	Durbin-Watson stat		1.890858
Prob(F-statistic)	0.000253			
Unweighted Statistics				
R-squared	0.360406	Mean dependent var		6.366131
Sum squared resid	172.2833	Durbin-Watson stat		0.092240

t-Test (Partial Hypothesis Testing)

1. The Third Party Funds variable yielded a coefficient of 0.265153, a t-statistic of 2.134216, and a probability of 0.0350. As this probability is below the 0.05 significance threshold, it is concluded that Third Party Funds exert a positive and significant effect on Stock Price. This indicates that increases in Third Party Funds tend to increase the stock prices of banking companies.

2. The Loans Disbursed variable yielded a coefficient of −1.59E-10, a t-statistic of −0.309232, and a probability of 0.7577. As this probability exceeds the 0.05 significance threshold, it is concluded that Loans Disbursed do not exert a significant effect on Stock Price. This suggests that changes in loan volume have not been sufficient to influence the stock prices of banking companies in this study.
3. The CKPN variable yielded a coefficient of 3.03E-08, a t-statistic of 2.232605, and a probability of 0.0275. As this probability is below the 0.05 significance threshold, it is concluded that CKPN exerts a positive and significant effect on Stock Price. This indicates that increases in CKPN tend to be viewed positively by investors, as they reflect prudent credit risk management.

F-Test (Simultaneous Hypothesis Testing)

The simultaneous F-test yielded a Prob(F-statistic) of 0.000253, which is less than the 0.05 significance level. This indicates that Third Party Funds, Loans Disbursed, and CKPN jointly exert a significant effect on Stock Price among conventional banking companies listed on the Indonesia Stock Exchange for the period 2023–2025.

Coefficient of Determination

The Adjusted R-squared value of 0.132933 indicates that 13.29% of the variation in Stock Price is explained by Third Party Funds, Loans Disbursed, and CKPN, while the remaining 86.71% is attributable to other variables not included in the model.

DISCUSSIONS

Effect of Third Party Funds on Stock Price

The findings demonstrate that Third Party Funds exert a positive and significant effect on Stock Price. This indicates that the greater the volume of funds mobilized by a bank, the more favorable investor perceptions of the banking company's prospects. The magnitude of Third Party Funds reflects the high degree of public trust in the bank's capacity to manage funds and maintain financial stability.

These results are consistent with Signaling Theory, which posits that information published by a company serves as a signal for investors in their investment decision making. An increase in Third Party Funds is perceived as a positive signal (good news), indicating that the bank enjoys a high level of public confidence and sound financial standing. Such information stimulates investor interest in purchasing shares, increasing demand and consequently driving stock price appreciation.

Furthermore, this finding can be explained through the lens of Agency Theory. From this perspective, the mobilization of public funds represents a form of managerial accountability (agent) in the management of resources entrusted by shareholders (principal). Management's ability to effectively mobilize and manage Third Party Funds reflects sound corporate governance and the company's capacity to minimize agency conflicts between agent and principal. This, in turn, enhances firm value as reflected in rising stock prices in the capital market.

These findings are consistent with Putra and Riza (2021), who found that Third Party Funds exert a positive and significant effect on banking stock prices, as fund mobilization capacity signals customer confidence in the bank. Additionally, Shaliha and Prastiwi (2023) demonstrated that the CASA component of Third Party Funds is positively associated with Stock Price, as low cost

funding efficiency conveys a positive signal to investors. In sum, the magnitude of Third Party Funds mobilized by a bank is empirically shown to enhance investor confidence and strengthen banking sector stock prices.

Effect of Loans Disbursed on Stock Price

The findings indicate that Loans Disbursed do not exert a significant effect on Stock Price. This suggests that the volume of loans extended by a bank has not been a primary determinant in investor decision making for banking sector stocks. Theoretically, an increase in credit disbursement should enhance interest income and profitability, thereby signaling positive prospects to the market. However, in the context of this study, loan volume data were not perceived as a sufficiently strong signal to drive stock price movements on the exchange.

This phenomenon can be explained through Signaling Theory, wherein information published by a company is received and interpreted by investors. In this context, investors do not focus solely on credit quantity; they also give considerable weight to loan quality, non performing loan risk, and macroeconomic conditions that may affect bank resilience.

Contemporary market participants tend to place greater emphasis on a bank's capacity to generate earnings across diversified business lines such as fee based income from digital services and other transactions such that loan volume alone is insufficient to materially influence market value. Moreover, excessively high credit expansion risks convey negative signals regarding liquidity risk, as an overly large proportion of public funds absorbed for financing purposes may be perceived as threatening the bank's ability to meet short term obligations.

These findings are consistent with Efriyanto and Azali (2024), who found that the LDR did not influence the stock price of Bank BRI. They are further corroborated by Medyawicesar et al. (2018), whose study of national foreign exchange private banks similarly demonstrated that this variable does not affect stock prices, as investors do not primarily rely on this information in their analysis of stock price movements.

Effect of CKPN on Stock Price

The findings demonstrate that CKPN exerts a positive and significant effect on the stock price. This indicates that increases in the Allowance for Impairment Losses for Loans enhance investor confidence in the bank's financial condition and risk management capacity.

These results are consistent with Signaling Theory, whereby information published by a company serves as a signal for investor decision making. Adequate CKPN formation is perceived as a positive signal, reflecting the application of prudential banking principles and the bank's preparedness to manage future credit risk.

Investors assess that banks maintaining robust credit risk provisioning tend to exhibit higher levels of financial health and stability. This enhances market confidence in the company's prospects, stimulating increased demand for shares and driving stock price appreciation.

Accordingly, investors do not interpret CKPN solely as a provisioning expense that reduces earnings, but also as an indicator of the bank's capacity to maintain the stability and quality of its productive assets.

These findings are consistent with Subroto and Purwanti (2023), who demonstrated that CKPN enhances bank profitability and provides a positive signal to investors regarding the bank's health in mitigating credit risk.

Joint Effect of Third Party Funds, Loans Disbursed, and CKPN on Stock Price

The findings indicate that Third Party Funds, Loans Disbursed, and CKPN jointly exert a significant effect on Stock Price among conventional banking companies listed on the Indonesia Stock Exchange for the period 2023–2025. This demonstrates that the three variables, in combination, can influence investor assessments of the prospects and performance of banking companies.

These results are consistent with Signaling Theory, which posits that company published information serves as a signal for investor decision making. Third Party Funds reflect the level of public trust in the bank; Loans Disbursed indicate the bank's capacity to channel funds productively; and CKPN reflects the bank's ability to manage credit risk through the application of prudential banking principles. The combination of these three information signals constitutes an important consideration for investors in assessing the stability and prospects of banking companies.

Taken together, these three variables provide a comprehensive picture of the fundamental condition of banking companies encompassing fund mobilization, credit disbursement, and credit risk management. Investors, therefore, tend to respond to this information holistically in determining their investment decisions, which in turn influences stock price movements in the capital market.

These findings collectively demonstrate that the stock prices of banking companies are not determined by any single financial indicator, but rather by the combined performance of fund mobilization, credit disbursement effectiveness, and the bank's sustained capacity to manage credit risk.

CONCLUSION

This study aimed to analyze the effect of Third Party Funds (DPK), Loans Disbursed, and Allowance for Impairment Losses for Loans (CKPN) on Stock Prices of 39 conventional banking companies listed on the Indonesia Stock Exchange for the period 2023–2025. Based on panel data regression analysis using the Random Effect Model (REM), the results indicate that Third Party Funds, Loans Disbursed, and CKPN jointly exert a significant effect on Stock Price. This demonstrates that investors consider fund mobilization conditions, credit disbursement, and credit risk management in assessing the prospects of banking companies.

On a partial basis, Third Party Funds exert a positive and significant effect on Stock Price, indicating that greater volumes of public funds mobilized by a bank correspond to higher levels of investor confidence in the company's stability and prospects. Loans disbursed do not exert a significant effect on Stock Price, suggesting that credit disbursement volume has not been a primary factor considered by investors in their investment decision making. Meanwhile, CKPN exerts a positive and significant effect on Stock Price, indicating that credit risk provisioning is perceived by investors as evidence of prudential banking practices and effective credit risk management.

These findings are consistent with Signaling Theory, which posits that information about fund mobilization, credit disbursement, and credit risk management constitutes an important signal for investors in evaluating the condition and prospects of banking companies. The findings

additionally support Agency Theory, wherein management's capacity to manage funds and credit risk reflects a form of accountability to shareholders in enhancing firm value.

This study is subject to several limitations. First, the observation period is restricted to 2023–2025 and therefore may not fully capture long term trends in the banking industry. Second, the study employs only three independent variables; consequently, other factors outside the model such as profitability, interest rates, inflation, and broader macroeconomic conditions may also influence Stock Price.

Considering these limitations, future research is encouraged to extend the observation period, broaden the research scope, and incorporate additional variables relating to the fundamental conditions and external factors of banking companies. From a practical standpoint, this study is expected to serve as a reference for investors in making informed investment decisions within the banking sector and to provide insights for bank management in strengthening market confidence through the optimization of fund mobilization and sound credit risk management practices.

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