

# FINANCIAL STATEMENT REPORT AND ITS EFFECT ON STOCK PRICE (CASE STUDY ON BANKING INDUSTRY)

**Neuneung Ratna Hayati**  
Widyatama University, Indonesia

## ABSTRACT

*Financial statement reporting is one tool that can be used by all stakeholders to evaluate the company performance. This research was conducted to test whether there is a difference between the stock price, 15 days before and after the announcement of financial statements- which took place at banking industry. Research method used is the comparative method with descriptive and ex-post facto design. Purposive sampling with testing instruments signed-rank Wilcoxon test are used in this research. From the test results, it obtained that there is no significant difference between the stock prices before and after the announcement of financial statements*

**Keywords:** *Financial Statement Report, Stock Price*

## INTRODUCTION

**Financial statements** (or **financial reports**) are formal records of the financial activities of a business, person, or other entity ([www.wikipedia.com](http://www.wikipedia.com)). The objective of financial statements is to provide information about the financial position, performance and changes in financial position of an enterprise that is useful to a wide range of users in making economic decisions (IASB). Financial statement reports are used by investors to assess viability of investing in a business and financial analysis to make decision for their investment. In order to fulfill the principles of openness and in accordance with Article 86 paragraph 1 of Law Number 8 Year 1985 concerning Capital Market, issuers and public companies must submit regular reports to Bapepam and submit the report to the community. This research was conducted to test whether there is a difference between the stock price, 15 days before and after the announcement of financial statements- which took place at banking industry.

## RESEARCH OBJECTIVES

- a. To study the effect of financial statement report to stock price fluctuation
- b. To study the important of financial statement report for public company

## HYPOTHESIS

The hypothesis is: there is a significant differences on stock price before and after financial statement report.

## METHODOLOGY

- a. Object of this study is the change of stock prices before and after the announcement of the bank's financial statements that have been listed its shares on the Indonesia Stock Exchange. The study period starting from the year 2006 sd 2008.
- b. Research methods used by authors in this research is descriptive and comparative. According to Sugiyono (2004: 11), comparative research is a study that is comparing. Here, variables are still the same as independent research, but to sample more than one, or in a different time. The descriptive research according Sugiyono (2004: 11) is the research conducted to determine the value of independent variables, whether one variable or more without making comparisons or connect with other variables. Research methods are used to illustrate stock prices before and after the announcement of financial statements. In this study, data analysis will be done based on ex post facto design. In the ex post facto design, the researcher did not manipulate or control the research variables. This method is also intended to see and examine the relationship between two variables or more, where the variables have been previously reviewed by another party treatment.
- c. In this study there are two independent variables, namely:
  1. Stock price before the announcement of financial statements

2. Stock price after the announcement of financial statements
- d. Testing with Wilcoxon signed-rank test is used when the data distribution is not normal and the sample used is less than 30. Requirement that is needed is at least the data should form an ordinal, and the samples must be connected / paired (Douglas A. Lind, et al, 1999).

## **HYPOTHESIS TEST**

The Hypothesis concerns to the difference of variance between stock prices before and after the announcement of financial statements.

### **The Hypothesis**

**H<sub>0</sub>:** There is no significant differences of variance between stock prices before and after the announcement of financial statement reports.

**H<sub>a</sub>:** There is significant differences of variance between stock prices before and after the announcement of financial statement reports.

## **RESULTS**

Strategic decision-making include monitoring and evaluation that shall be taken by all stakeholder, requires the information that potential to reduce the uncertainty with related to the risk. Financial Statement is one of available source and can be used for public area. Taking advantage of the financial statements, investors are expected to predict the amount, time, and cash flow uncertainty.

Announcement of the Annual Financial Report has a function in informing the company performance which clearly and quickly get a reaction from the market. Time delivery of Annual Financial Report will give a good impression and or bad to all stakeholder.

During 2005 until 2008, the condition of the banking sector in Indonesia shows stable growth, although it must be admitted that global financial crisis negatively have impact to the economy of Indonesia as its influence. Total banking assets at the end of 2008 compared with the previous year still grew 16.3%, total loans increased 29.5% and third-party funds increased 16.1%. Similarly, the condition of banking profitability and capital which is maintained at a high level, ie 2.3% (Return on Assets) and 16.2% (Capital Adequacy Ratio). On the other hand, banking gross NPLs fell to just 3.8%, although still in note to the potential worsening of banking performance in the future (Bank Indonesia, 2009).

Some changing happen in Banking industry such as merger and acquisition. In this study, analysis base on the announcement of financial statements that impact to reaction on the stock price movement. Financial statements used are annual financial reports for banks that go public in Indonesia Stock Exchange. Data from the daily stock price for each bank is collected for the period of 15 days before and 15 days after the announcement of financial statements. What is meant by "day" in this study were trading days, ie days when the stock trades executed on the exchange - if there are no special events Monday through Friday while the share price used is the stock price is at the time of closing the daily trading (closing price). For this study, the author uses the financial reporting 4 period (Year 2005, 2006, 2007 and 2008), that included eighteen (18) for the bank has obtained the completeness of data.

After the data on stock prices before and after the announcement of the financial statements of each bank acquired, then the author will process data in accordance with the proposed hypothesis, as follows:

No	2006	
	(Good News)	(Bad News)
1	1897.5	1,303.75
2	1880.5	1,266.88
3	1875.5	1,263.75
4	1877.5	1,291.88
5	1877.5	1,291.25
6	1843.5	1,275.00
7	1883	1,243.75
8	1884.5	1,259.38
9	1845.5	1,265.63
10	1870.5	1,245.63
11	1876.5	1,245.63
12	1854.5	1,237.50
13	1861	1,258.75
14	1880	1,230.63
15	2363.2	1,257.50
16	2320.9	1,291.63
17	1914.4	1,320.00
18	1911.5	1,350.00
19	1901.4	1,339.75
20	1940.9	1,319.00
21	1913.7	1,233.25
22	1875.1	1,216.00
23	1811.6	1,228.88
24	1787	1,225.13
25	1787.3	1,258.88
26	1851.3	1,292.63
27	1871.6	1,317.63
28	1847.6	1,281.38
29	1857.8	1,245.75
30	1885.7	1,260.75

From data above, statistic result as follow :

Ranks				
		N	Mean Rank	Sum of Ranks
sdh_2006 - sbim_2006	Negative Ranks	6 <sup>a</sup>	8.50	51.00
	Positive Ranks	9 <sup>b</sup>	7.67	69.00
	Ties	0 <sup>c</sup>		
	Total	15		

a. sdh\_2006 < sbim\_2006  
 b. sdh\_2006 > sbim\_2006  
 c. sdh\_2006 = sbim\_2006

From the results above it is seen that the 30 data, the data have a different 7 negative, 19 positive labeled data, and there is the same 4 (ties). In wilcoxon test, which used a disparate number of the smallest, so in this case differentiated taken the negative is taken from the 58.1 sum of ranks. By looking at the table for Wilcoxon n (number of data) = 30, one-tailed test and significance level of 5% is obtained statistical table wilcoxon as follow :

Test Statistics <sup>b</sup>	
Z	sdh_2006 - sbim_2006 -.511 <sup>a</sup>
Asymp. Sig. (2-tailed)	.609

a. Based on negative ranks.  
 b. Wilcoxon Signed Ranks Test

Calculation of output is -0511, while the statistical tables can be seen in table z with  $\alpha = 5\%$  then the area of the normal curve is  $50\% - 5\% = 0.45$ . in table z, to obtain large numbers of z 0:45 table around -1645. therefore the output z <z table (-0511 <-1645), the  $H_0$  accepted or in other words there is no significant difference between the sample variance of stock prices before and after the announcement of financial statements.

No	2007	
	(Good News)	(Bad News)
1	2516.6	1,497.00
2	2500.4	1,501.38
3	2570.2	1,481.00
4	2524.7	1,404.63
5	2551.8	1,429.00
6	2516.4	1,468.38
7	2632	1,505.00
8	2601	1,545.50
9	2651.6	1,550.63
10	2545.6	1,568.88
11	2599.1	1,558.38
12	2669	1,557.25
13	2582.2	1,562.63
14	2607.2	1,532.00
15	2156.3	1,317.50
16	2064.2	1,274.38
17	2466	1,462.38
18	2473.5	1,459.63
19	2590.9	1,434.13
20	2543.9	1,431.88
21	2559.5	1,437.88
22	2617	1,415.88
23	2599.4	1,375.00
24	2556.7	1,328.25
25	2580.1	1,383.25
26	2568.2	1,374.75
27	2405.6	1,326.00
28	2441.4	1,253.00
29	2332.2	1,317.00
30	2364.2	1,356.50

Ranks				
		N	Mean Rank	Sum of Ranks
sdh_2007 - sbim_2007	Negative Ranks	12 <sup>a</sup>	8.58	103.00
	Positive Ranks	3 <sup>b</sup>	5.67	17.00
	Ties	0 <sup>c</sup>		
	Total	15		

a. sdh\_2007 < sbim\_2007  
 b. sdh\_2007 > sbim\_2007  
 c. sdh\_2007 = sbim\_2007

From the results above it is seen that the 15 data, the data has 12 different negative, 3 positive labeled data, and not have the same (ties). In wilcoxon test, which used a disparate number of the smallest, so in this case differentiated taken the positive is taken from the 17 sum of these numbers ranks.dari obtained wilcoxon test statistic (T) is 17. By looking at the table for Wilcoxon n (number of data) = 15, one-tailed test and significance level of 5% is obtained statistical table wilcoxon.

Test Statistics <sup>b</sup>	
	sdh_2007 - sblm_2007
Z	-2.442 <sup>a</sup>
Asymp. Sig. (2-tailed)	.015

a. Based on positive ranks.  
b. Wilcoxon Signed Ranks Test

Calculation of output is -.2422, while the statistical tables can be seen in table z with  $\alpha = 5\%$  then the area of the normal curve is  $50\% - 5\% = 0.45$ . in table z, to obtain large numbers of z 0:45 table around -1.645. therefore the output  $z > z$  table (-.2442 > -1.645), the  $H_0$  accepted, or in other words, there are significant differences between the sample variance stock price before and after the announcement of financial statements.

No	2008	
	(Good News)	(Bad News)
1	1698	674.00
2	1691.8	669.63
3	1704.1	662.88
4	1721	653.75
5	1702.9	681.63
6	1711.4	649.13
7	1739.4	661.63
8	1719.3	654.75
9	1737.5	653.75
10	1620.3	639.50
11	1654.8	617.88
12	1664.1	648.75
13	1621.9	585.00
14	1574.8	568.25
15	1776.8	985.63
16	1566.5	1,062.00
17	1788.3	700.88
18	1770.3	708.13
19	1719.2	700.63
20	1650.7	702.00
21	1656.7	710.13
22	1667.2	712.13
23	1681.7	718.25
24	1703.5	694.63
25	1690.5	692.88
26	1689	661.38
27	1692	613.88
28	1665.8	567.00
29	1662.9	572.50
30	1644.9	563.13

Ranks				
		N	Mean Rank	Sum of Ranks
sdh_2008 - sblm_2008	Negative Ranks	5 <sup>a</sup>	5.60	28.00
	Positive Ranks	9 <sup>b</sup>	8.56	77.00
	Ties	1 <sup>c</sup>		
	Total	15		

a. sdh\_2008 < sblm\_2008  
 b. sdh\_2008 > sblm\_2008  
 c. sdh\_2008 = sblm\_2008

From the results above it is seen that the 15 data, the data have a different 5 negative, 9 positive labeled data, and there are 1 the same data (ties). In wilcoxon test, which used a disparate number of the smallest, so in this case differentiated taken the positive is taken from the 28 sum of these numbers ranks.dari obtained wilcoxon test statistic (T) is 28. By looking at the table for Wilcoxon n (number of data) = 15, one-tailed test and significance level of 5% is obtained statistical table wilcoxon

Test Statistics <sup>b</sup>	
	sdh_2008 - sblm_2008
Z	-1.538 <sup>a</sup>
Asymp. Sig. (2-tailed)	.124

a. Based on negative ranks.  
 b. Wilcoxon Signed Ranks Test

Authors may imply that the announcement of financial statements is not the only accounting information originating from within the company that must be considered before making decisions in stock trading. Calculation of output is -1.538, while the statistical tables can be seen in table z with  $\alpha = 5\%$  then the area of the normal curve is  $50\% - 5\% = 0.45$ . in table z, to obtain large numbers of z 0.45 table around -1.645. therefore the output  $z > z$  table ( $-1.538 < -1.645$ ), then  $H_0$  is accepted, or in other words there is no significant difference between the sample variance of stock prices before and after the announcement of financial statements.

## RECOMMENDATION

1. Financial statements report is one of the available relevant information, especially for stock that is considered very important for investors. Under conditions of high uncertainty of the company's activities, the financial statements are main indicator to estimate more precisely and more rational about the company's prospects in the future.
2. By using the charge approach of the information contained in the company's financial statements, the existence of information and events surrounding the annual financial statements will quickly get a reaction from the market. Issuers are late in delivering the Annual Financial Report will give a bad impression to the investors who invested funds in the issuer's activities. The delay in the annual financial statements will change the belief of investors that can be seen from the reaction of capital markets. The delay in the delivery of financial statements can reacted by changes in the market with stock prices of late convey the issuer's financial statements.

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