

ANALYSIS OF FINANCIAL PERFORMANCE BEFORE AND AFTER STOCK SPLIT AT PT BANK CENTRAL ASIA Tbk

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ABSTRACT

The purpose of this study is to identify and explain the variations in PT Bank Central Asia Tbk's financial performance prior to and following the stock split. The company's financial report data for the three years prior to and three years following the stock split are examined in this study, with a focus on 2019–2024. Earnings per share (EPS), debt to equity ratio (DER), return on equity (ROE), and return on assets (ROA) are the financial performance indicators that are examined. The analysis methods used are deskriptif, normality, and difference using t-test based on SPSS 26's lunak parameter. The results of this study support the sinyal theory by showing that ROA and ROE do not significantly differ, with ROA remaining constant and ROE increasing. However, EPS decreased significantly due to the increase in the number of shares outstanding, which is not in line with signalling theory. Meanwhile, DER remains high post-stock split, reflecting the reliance on debt and challenges in financial risk management.

Keywords: *Stock Split, Financial Performance, ROA, ROE, EPS, DER*

INTRODUCTION

In recent years, the Indonesian capital market has experienced rapid growth, offering substantial profit opportunities for investors while simultaneously driving economic expansion. One of the primary factors in the capital market is stock price, which reflects the performance of the issuing company (Ratnasari et al., 2022). Investors tend to avoid high-priced stocks; therefore, publicly listed companies may utilize corporate actions, such as stock splits, to attract a broader investor base (Arifin & Kelen, 2022).

A stock split is undertaken to reduce the per-share price without altering the total investment value, thereby increasing the number of shares outstanding (Amin, 2020). This phenomenon remains perplexing in economics because, theoretically, it merely increases the number of shares without enhancing the company's economic value (Rohim, 2021). The primary objectives of a stock split are to improve investment accessibility for retail investors and to support ethical business practices through listing regulations and market education (Soewignjo et al., 2023). Investment decisions directly influence future cash flows and profitability, ultimately enhancing firm value and shareholder welfare (Nurdin et al., 2023).

Two principal theories explain the rationale behind corporate stock splits: signaling theory, which posits that stock splits convey positive signals regarding the company's prospects, and trading range theory, which emphasizes the enhancement of trading liquidity. The stock split phenomenon remains debated among investors, with some regarding it as merely a cosmetic change, while others believe it can influence returns, risk, and market signals. Corporate financial performance is also affected by stock splits. Companies with promising prospects should undertake stock splits to strengthen their market position. Conversely, if a stock split is executed without solid performance, the company may experience share price declines due to negative investor perceptions. Therefore, this study focuses more on signaling theory, which highlights how stock splits can convey positive signals to the market regarding the company's future.

PT Bank Central Asia Tbk, a publicly listed company and one of Indonesia's largest banks, recently completed a stock split. This corporate action has become a topic of considerable discussion. The stock split of PT Bank Central Asia Tbk was executed on October 13, 2021, with a ratio of 1:5. Prior to the stock split, PT Bank Central Asia Tbk had 24.65 billion shares outstanding; following the split, this number increased to 123.27 billion shares. The nominal value of PT Bank Central Asia Tbk's shares decreased from Rp62.5 per share before the split to Rp12.5 per share after. The company's share price experienced fluctuations from 2020 to 2023.

Table 1.
Stock Price Lists

Year	Quarter	Highest Price (IDR)	Lowest Price (IDR)	Closing Price (IDR)
2020	I	7,060	4,325	5,525
	II	6,100	4,680	5,695
	III	6,600	5,390	5,420
	IV	7,000	5,440	6,770
2021	I	7,380	6,145	6,215
	II	6,620	5,980	6,025
	III	7,000	5,905	7,000
	IV	8,250	6,710	7,300
2022	I	8,300	7,300	7,975
	II	8,250	7,250	7,250
	III	8,875	7,000	8,550
	IV	9,400	8,125	8,550
2023	I	8,950	8,000	8,750
	II	9,325	8,650	9,150
	III	9,450	8,825	8,825
	IV	9,450	8,600	9,400

Source: <https://www.idx.co.id>

The data above indicate that stock prices tended to increase from 2020 to 2023. Although there were considerable price fluctuations in 2020, stock prices generally rose from the first quarter to the end of the year. This suggests favorable market and economic conditions. In 2021, the upward trend continued despite significant volatility.

Overall, stock prices demonstrated consistent increases from the beginning to the end of the year. Subsequently, in 2022 and 2023, price increases became more stable. Despite quarterly and annual fluctuations, a general upward trend is observable year by year, reflecting strong optimism and confidence in the Indonesian capital market during this period. Identifying investment opportunities and resolving problems are integral steps in investment decision-making (Putri & Hamidi, 2019). Investor performance is largely determined by the decisions they make.

When selecting investments, prospective investors consider various factors, including financial performance. For investors and financial professionals, understanding investment returns is essential. Consequently, they require corporate financial reports to study recent developments and expansions. Financial reporting results are compared with other relevant aspects to determine financial ratios—figures with significant interrelationships (Ngau et al., 2022). Earnings per share (EPS), debt to equity ratio (DER), return on assets (ROA), and return on equity (ROE) are the four variables employed in this study to evaluate corporate financial performance, as these ratios offer a comprehensive overview of such performance. Although numerous financial ratios exist, selecting those most relevant to the research objectives is standard practice. Employing excessive ratios can render analysis overly complex and difficult to interpret. Furthermore, not all ratios are equally relevant to all types of companies or specific events.

The impact of stock splits has been the subject of numerous studies. According to Deo Ghazali's analysis (2021), stock split decisions do not have a significant effect on the financial performance of companies listed on the IDX in 2018 and 2019, as determined by financial parameters such as ROE, EPS, Invested Capital Turnover, Net Income, and DER.

Sudarno et al. (2022) assert that signaling theory serves as a roadmap for investors to understand management's future prospects. Positive signals reflect the company's capability in managing its business and influence investor decisions to invest (Purwaningsih & Siddki, 2022; Margono & Gantino, 2021). Hoesada (2021) adds that managers are motivated to convey favorable information to the public to enhance confidence, which may be reflected in security prices.

According to trading range theory, stock prices are directed toward an optimal level (Lukito & Damayanti, 2023). Companies may split their shares to increase liquidity and attract investor interest if prices become too high. Stock splits also assist in adjusting stock prices to the desired trading range (Deo Ghazali, 2021).

According to Fadlan (2022), banks are financial institutions that channel credit to the public while accepting deposits in the form of savings, time deposits, and demand deposits. According to Law No. 7 of 1992, the primary objective of banks is to collect and distribute funds to support national economic development.

Financial statements are defined as descriptions of an entity's financial position and financial performance in paragraph 9 of Financial Accounting Standards Statement (PSAK) No. 1 of 2022. Financial statements typically include statements of financial position, profit or loss, cash flows, changes in equity, and notes to the financial statements. Financial statements are essential instruments that provide an overview of a company's operational performance and financial situation (Hadisantoso et al., 2023). Analysts use these financial statements as information media for decision-making. Therefore, financial statements represent one of the most important sources of information for evaluating a company's progress.

Financial performance, according to Fahmi (2020), is an evaluation of how well a business manages its finances in accordance with relevant standards. Rahayu (2021) states that financial performance describes a company's success in creating value effectively and efficiently. To evaluate financial situations, financial ratio analysis compares accounts within financial statements. Ratio types include solvency (Kasmir, 2021), profitability such as ROA and ROE (Raiyan et al., 2020), and market ratios such as EPS.

Shares are investment instruments that reflect ownership in a company (Anuna et al., 2021). A stock split occurs when the nominal value of shares is divided to attract new investors and increase liquidity (Indrayani et al., 2020). The purpose of a stock split, according to Ghozali (2021), is to increase the number of shares outstanding and lower the stock price to make it more accessible. This study examines differences in PT Bank Central Asia Tbk's financial performance before and after the stock split based on ROE, ROA, EPS, and DER ratios. Based on theoretical foundations and previous research, the hypotheses of this study are as follows:

H₁: There is a significant difference in the company's financial performance before and after the stock split based on the ROE ratio.

H₂: There is a significant difference in the company's financial performance before and after the stock split based on the ROA ratio.

H₃: There is a significant difference in the company's financial performance before and after the stock split based on the EPS ratio.

H₄: There is a significant difference in the company's financial performance before and after the stock split based on the DER ratio.

METHODS

The research data were obtained from the Indonesia Stock Exchange (IDX) website, "www.idx.co.id", pertaining to PT Bank Central Asia Tbk. The primary subject of this study is PT Bank Central Asia Tbk's financial statements for the 2019–2024 period. This research employs comparative quantitative data. The quantitative approach is a fact-based methodology applicable to both sample and population research, as asserted by Sugiyono (2022). Research data are presented in numerical values that can be calculated through statistical analysis to formulate hypotheses. The financial results of PT Bank Central Asia Tbk before and after the stock split are compared in this study.

Secondary quantitative data sources are utilized in this investigation. According to Sugiyono (2022:194), secondary data are "sources that do not directly provide information for data collection. Secondary data are obtained from supporting sources, including documentation and literature." The secondary data for this research originate from financial reports published by PT Bank Central Asia Tbk on its official website, "www.bca.co.id", and the official website of the Indonesia Stock Exchange, "www.idx.co.id".

A research study's data collection approach substantially influences its findings (Ahyar et al., 2020). An appropriate selection strategy will affect the acquisition of accurate, relevant, and correct data to fulfill research objectives. Data for this study were collected using documentation techniques. According to Ahyar et al. (2020), the documentation method is a means of collecting data from documentary and recorded sources. Written or visual documents can serve as supporting data for this research. The research data are sourced from PT Bank Central Asia Tbk's annual financial reports for 2019–2023, available on the company's official website, "www.bca.co.id". The findings of this research are presented in financial reports, which typically employ ratios to assess business financial performance through descriptive quantitative analysis techniques. Using various data collected from specific target groups, descriptive analysis is a statistical analysis technique that seeks to provide a general overview or explanation of the research topic. Various formats, such as frequency distribution tables, histogram tables, mean values, standard deviation values, and others, can be utilized to describe descriptive analysis. One benefit of descriptive analysis is its ability to fully comprehend numerical or verbal facts related to the promoted data. Financial ratio analysis will be employed in this research to examine financial performance before and after the stock split.

The normality test aims to determine whether the data distribution approximates or follows a normal distribution. Statistical testing tools are selected based on the premise of data normality. The assumption of data normality is a prerequisite for parametric tests. If the data normality assumption is not met, the use of parametric tests is not permitted, as forcing such tests may yield unreliable analytical conclusions.

The Shapiro-Wilk test is used in the normality testing of this research. Data with significance greater than 5% are included in the normal distribution, with a significance threshold of 0.05. The optimal testing instrument for hypothesis testing is selected based on the normality test findings. The parametric Paired Sample T-Test is used when data are regularly distributed. The Wilcoxon Signed Rank Test is a non-parametric test more appropriate for use when data are not regularly distributed. Pre-post research models, or before-and-after designs, are often analyzed using both types of testing models. The paired sample t-test, sometimes referred to as the t-test difference analysis, is used to analyze data in this research. To determine whether the means of two related samples differ, paired sample t-test analysis is employed.

RESULT

Descriptive Analysis

The purpose of descriptive analysis is to provide a comprehensive overview of the data related to each variable examined. The data consist of the number of observations, standard deviation, mean, and minimum and maximum

values. This study investigates criteria such as return on equity (ROE), return on assets (ROA), earnings per share (EPS), and debt to equity ratio (DER) over three years before and three years after the stock split. The following table presents a summary of the descriptive data analysis conducted using SPSS version 26.0.

Table 2.

Descriptive Statistics Before and After the Event

Variable	N	Minimum	Maximum	Mean	Std. Deviation
ROE_Before	11	3.82	16.41	9.1882	4.42825
ROE_After	11	4.14	20.06	11.7427	5.37826
ROA_Before	11	0.65	3.11	1.6400	0.81895
ROA_After	11	0.64	3.46	1.9555	0.94072
EPS_Before	11	245.87	1,158.59	660.3527	331.34179
EPS_After	11	65.42	394.56	212.2118	104.09191
DER_Before	11	422.89	507.05	463.0718	29.43220
DER_After	11	477.32	543.51	505.9155	21.10708

Source: Research data (2024)

Based on the data analysis in Table 2, PT Bank Central Asia Tbk's financial performance before and after the stock split differs notably. Return on Equity (ROE) experienced an average increase from 9.1882 (standard deviation 4.42825) to 11.7427 (standard deviation 5.37826), indicating an improvement in the company's average performance. Return on Assets (ROA) also increased from an average of 1.6400 (standard deviation 0.81895) to 2.3114 (standard deviation 1.06790). Earnings per Share (EPS) underwent a change, with the average decreasing from 660.3527 (standard deviation 331.34179) to 212.2118 (standard deviation 104.09191), although still reflecting relative stability. The Debt to Equity Ratio (DER) increased from an average of 463.0718 (standard deviation 29.43220) to 505.9155 (standard deviation 21.10708), indicating a change in the company's funding structure. Overall, these data indicate that PT Bank Central Asia Tbk experienced significant financial performance changes after the stock split, with improvements in ROE, ROA, and DER indicators.

Normality Test

The data from the research variables were subsequently tested for normality to determine whether the data were normally distributed. The Shapiro-Wilk method was employed because the amount of data to be described is fewer than fifty ($N = 11$). Based on Table 3 below, the normality test yielded the following results:

Table 3

Shapiro-Wilk Normality Test Results

Variable	Statistic	df	Sig.	Conclusion
ROE_Before	0.925	11	0.362	Normal
ROE_After	0.951	11	0.654	Normal
ROA_Before	0.937	11	0.488	Normal
ROA_After	0.956	11	0.722	Normal
EPS_Before	0.922	11	0.339	Normal
EPS_After	0.970	11	0.891	Normal
DER_Before	0.948	11	0.617	Normal
DER_After	0.960	11	0.766	Normal

Source: Research data (2024)

All variables have significance levels (Sig.) greater than 0.05, according to the normality test results for Return on Equity (ROE), Return on Assets (ROA), Earnings per Share (EPS), and Debt to Equity Ratio (DER) before and after the stock split. All data are regularly distributed, permitting the use of the parametric paired sample t-test in the subsequent testing stage.

Paired Sample t-Test

Table 4
Paired Sample t-Test Results

Hypothesis	t-value	Sig. (2-tailed)	Conclusion
H₁: There is a significant difference in the company's financial performance before and after the stock split based on Return on Equity (ROE).	-1.111	0.293	Rejected
H₂: There is a significant difference in the company's financial performance before and after the stock split based on Return on Assets (ROA).	-0.766	0.461	Rejected
H₃: There is a significant difference in the company's financial performance before and after the stock split based on Earnings per Share (EPS).	4.112	0.002	Accepted
H₄: There is a significant difference in the company's financial performance before and after the stock split based on the Debt-to-Equity Ratio (DER).	-3.455	0.006	Accepted

The Sig. (2-tailed) value for ROE is 0.293, which is greater than 0.05, while the t-count value of -1.111 is smaller than the t-table value of 2.228. Therefore, H_0 is accepted and H_a is rejected, indicating that ROE before and after the stock split does not differ significantly. Thus, the first hypothesis is not supported.

The Sig. (2-tailed) value for ROA is 0.461, which is greater than 0.05, while the t-count value of -0.766 is smaller than the t-table value of 2.228. Consequently, H_0 is accepted and H_a is rejected, indicating that ROA before and after the stock split does not differ significantly. Thus, the second hypothesis is not supported.

The Sig. (2-tailed) value for EPS is 0.002, which is smaller than 0.05, while the t-count value of 4.112 is greater than the t-table value of 2.228. Consequently, H_0 is rejected and H_a is accepted, indicating that EPS before and after the stock split differs significantly. Thus, the third hypothesis is supported.

The Sig. (2-tailed) value for DER is 0.006, which is smaller than 0.05, while the t-count value of -3.455 is smaller than the t-table value of 2.228. Consequently, H_0 is rejected and H_a is accepted, indicating that DER before and after the stock split differs significantly. Thus, the fourth hypothesis is supported.

DISCUSSION

Return on Equity (ROE)

Based on the analysis results, there is no significant difference between ROE before and after the stock split. Although ROE temporarily declined due to the COVID-19 pandemic in 2020, this ratio experienced recovery and improvement after the stock split, reaching 24.77% by mid-2024. This increase reflects management efficiency in generating profits, although the statistical test results do not support the significant hypothesis.

Return on Asset (ROA)

ROA before and after the stock split does not differ significantly, according to the analysis findings. However, ROA shows a stable and increasing trend, reaching 3.8% by mid-2024. This increase reflects efficiency in asset management to generate profits and aligns with signaling theory, although the statistical test results do not support the significant hypothesis.

Earning Per Share (EPS)

The analysis results reveal a considerable difference in EPS before and after the stock split. Although EPS increased from 2021 to 2023, the average EPS after the stock split was lower than before. Because the company retained earnings per share, this indicates that the stock split did not generate favorable signals in accordance with signaling theory.

Debt to Equity Ratio (DER)

The analysis findings indicate that DER before and after the stock split differs significantly. The very high DER during the analysis period demonstrates substantial reliance on debt to finance operations. Although there was a slight decrease in DER in 2022 and 2023, this ratio remains far above the industry standard, indicating that risk management still requires improvement.

Overall, the stock split had varying effects on PT Bank Central Asia Tbk's financial ratios. Some ratios showed recovery and improvement, but statistical results did not consistently support significant differences, and challenges in earnings and debt management remain apparent.

CONCLUSION

Based on observations conducted during the 2019–2024 period and research undertaken on PT Bank Central Asia Tbk, which implemented a stock split policy on October 13, 2021, the company's financial performance does not significantly differ between before and after the stock split. The significance thresholds for ROE and ROA are 0.293 and 0.461, respectively, both exceeding 0.05. However, after the stock split, the average ROE and ROA values increased. This indicates that the company remains capable of maximizing shareholder profits and managing its assets effectively, in accordance with signaling theory.

However, there are significant differences in Debt to Equity Ratio (DER) and Earnings Per Share (EPS), with significance levels of 0.002 and 0.006, respectively, both less than 0.05. Nevertheless, after the stock split, the average EPS ultimately declined, resulting in below-average earnings per share performance. This suggests that, despite the stock split, the company faces challenges in maintaining per-share profitability. Meanwhile, although there was a slight decrease in the average DER, the level still indicates high dependence on debt to finance operations. This explains that the company has not fully optimized its debt capacity relative to its equity capital. This illustrates how the stock split affected PT Bank Central Asia Tbk's financial results in a varied manner, depending on the financial ratios used as analytical indicators.

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