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Operational Cost Efficiency and Profitability Effects on Companies Distribution Stock Prices During Covid-19

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Abstract. This study was conducted to determine whether the efficiency of operating costs and profitability of companies listed on the Indonesia Stock Exchange in the banking sector on stock prices. Research design, data, and methodology: This study uses 35 banking companies from 2020 to 2021 as a sample in the study, with a total of 70 financial statements data. The analysis test was conducted to see the effect of operational cost efficiency and profitability on stock prices in banking companies during the covid-19 pandemic. Multiple linier regression is conducted to check the simultaneous test and partial test. As for the indicators in cost efficiencies are operating expenses on operating income. The profitability effects indicators are based on return on equity. Stock prices indicators are based on internal and external policies and abilities. The test results show that operational cost efficiency and profitability have a simultaneous effect on stock prices. However, it partially shows that operational cost efficiency has no significant effect. Meanwhile, profitability shows positive results and has a significant effect. Conclusions: Based on the table of the Coefficient of Determination (R^2) test, the value of Adjusted R Square is 98.7%. This shows that the variables of Operational Cost Efficiency and Profitability affect the stock price by 98.7% and the remaining 1.3% is influenced by other variables. Practical perspectives are further discussed in the paper.

Keywords: Operation cost efficiency, profitability effects, stock prices, multiple linier regression, banking sector

Abstrak. Penelitian ini dilakukan untuk mengetahui apakah efisiensi biaya operasional dan profitabilitas perusahaan yang terdaftar di Bursa Efek Indonesia di sektor perbankan terhadap harga saham. Desain penelitian, data, dan metodologi: Penelitian ini menggunakan 35 perusahaan perbankan dari tahun 2020 hingga 2021 sebagai sampel dalam penelitian, dengan total 70 data laporan keuangan. Uji analisis dilakukan untuk melihat pengaruh efisiensi biaya operasional dan profitabilitas terhadap harga saham di perusahaan perbankan selama pandemi covid-19. Regresi linier berganda dilakukan untuk memeriksa uji simultan dan uji parsial. Adapun indikator dalam efisiensi biaya adalah biaya operasional pada pendapatan operasional. Indikator efek profitabilitas didasarkan pada pengembalian ekuitas. Indikator harga saham didasarkan pada kebijakan dan kemampuan internal dan eksternal. Hasil pengujian menunjukkan bahwa efisiensi biaya operasional dan profitabilitas berpengaruh simultan terhadap harga saham. Namun, sebagian menunjukkan bahwa efisiensi biaya operasional tidak berpengaruh signifikan. Sementara itu, profitabilitas menunjukkan hasil positif dan berpengaruh signifikan. Kesimpulan: Berdasarkan tabel uji Coefficient of Determination (R²), nilai Adjusted R Square adalah 98,7%. Hal ini menunjukkan bahwa variabel Efisiensi Biaya Operasional dan Profitabilitas mempengaruhi harga saham sebesar 98,7% dan sisanya 1,3% dipengaruhi oleh variabel lainnya. Perspektif praktis dibahas lebih lanjut dalam penelitian ini.

Kata kunci: Efisiensi biaya operasi, efek profitabilitas, harga saham, regresi linier berganda, sektor perbankan

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Introduction

According to Al Qaisi., et.al (2016) the stock market is the main place for institutions to spread shares and raise funds. If there are publicly listed institutions, then they can spread their shares in the market to raise more funds to expand the business. In fact, Hiransha, et al. (2018) explained that the stock market has a significant impact on various areas which in the end also has an influence on economic activity (Haruna Isah & Zulkernine, 2019). Then, basically it can be seen that stock prices are influenced by various factors, including accounting information presented in financial statements. In addition, earnings that have been published in financial statements can also affect stock prices (Ngoc Hung, 2018). Changes in financial stocks occur in response to and because of financial flows (Filho, 2020).

During the COVID-19 pandemic throughout 2020-2021, it had a significant impact in various aspects, especially in the financial and economic sectors. When the Covid-19 began to spread and along with the increasing number of people infected with the virus. The situation has worsened over the past two years, and even the Indonesian economy also slowed down and experienced a recession in the third quarter of 2020 after falling by 3.49% YoY. Research conducted by Mazur et al. (2021) also showed that in the early 2020 period, stock market conditions crashed because of the Covid-19 pandemic.

The data was obtained from the results of a review of financial statements and developments in the stock market which were corrected quite deeply. In a period of approximately two months, from January 14, 2020, to March 24, 2020, the JCI fell by 37.7%. In comparison, during the 1997-1998 monetary crisis, the JCI fell by 65.3% over a 15-month period. During the 2008 global crisis, the JCI also fell sharply by 60.7% in 10 months. This indicates that the decline this time was quite pronounced because it occurred in a relatively short time.

In the current pandemic, although stock prices generally fall, there are some sectors that experience an increase in stock prices because they are benefiting from current conditions, such as pharmaceutical stocks and health services. Meanwhile, on the other hand, many sectors are experiencing hard times during the pandemic, such as tourism, hospitality, and transportation. Not without reason, this happened because throughout the 2020-2021 period during the COVID-19 pandemic there were large-scale activity restrictions. Including activities for traveling and interactions outside the home. The combination of government policies on traveling bans, lockdowns, and stimulus packages has not maximized the enthusiasm of the stock market during the Covid-19 pandemic (Phan & Narayan, 2020).

The big impact felt in the banking sector is also a concern because it can be a benchmark for economic flows in this country. Demirgüç-Kunt et al. (2021) in their research explained that the banking sector is expected to play an important role in reducing the negative impact of the Covid-19 pandemic by providing credit supplies for business institutions and households. However, in the last one year ago, at the beginning of the emergence of COVID-19, the banking world has continued to face difficult challenges. At the beginning of 2020, which was targeted to bring new flows, it showed a slump. Demir & Danisman (2021) in their research suggest that the decline in banking stock prices because of the Covid-19 pandemic can be reduced by a tight government policy response in the form of income support, debt relief, and other fiscal policies.

The Financial Services Authority and the government have worked together to prevent the negative impact of the pandemic, and various stimulus have been launched. Such as the relaxation of credit restructuring provisions by the OJK (Financial Services Authority) as well as the assessment of credit collectability was also reduced. This effort is carried out with the aim that the ratio of bad loans can be reduced and reduce the cost of reserves that must be formed.

Operating expenses have a significant influence on the profitability of bank institutions (Batten & Xuan, 2019). This indicates that both operating expenses and profitability can have an influence on the share price of the banking sector. Based on this, it is necessary to conduct an analysis to see the effect of operational cost efficiency and profitability on stock prices in banking companies during the pandemic. This is because operational costs describe the level of efficiency of the bank in its operational activities. The higher the operational cost ratio, the more inefficient the Bank's operational activities. On the other hand, the lower the ratio of operational costs, the more efficient the Bank's operational activities. This operating expense ratio can be calculated by dividing the total operating costs by net sales with data obtained from the banking financial statements for the 2020-2021 period.

The profitability value seen from the ROE (return on assets) ratio aims to describe the bank's ability to earn profits from its capital. The ROE ratio is calculated by comparing the profit after tax with the average total equity in a certain period. The higher the ROE ratio, the higher the bank's ability to generate profits from the use of its equity.

Then, the share price is determined by the demand and supply. The formation of share prices is divided into the auction market and the negotiated market. In the sales system, the price is formed according to the auction price, by going through a bargaining process based on price priority and time priority. The formation of the negotiated stock market price is carried out by means of negotiations between the seller and the buyer. In addition, all macroeconomic factors influence the development of the stock market (Huy, Loan, and Anh 2020).

According to the results of previous research conducted by Sitompul (2019), it defines that

Operational Cost (BOPO) is a ratio used to measure the level of efficiency and ability of a bank to carry out its operations. The main activity of the bank is as an intermediary, namely collecting and distributing funds to third parties, so that the bank's operating costs and income are dominated by interest costs and interest yields. If there is an increase in operating costs, it will have an impact on decreasing profit before tax which will ultimately reduce the profitability (ROA) of the bank concerned. According to Riadi (2018) the objectives of operating costs are to coordinate and control the flow of inputs and outputs, as well as managing the use of available resources so that operational activities and functions can be more effective. The second objective is to consider the total bank operating costs that must be incurred to obtain operating income.

When determining operating costs, companies are required to divide them into several categories so that companies can find ways to cut costs and evaluate the effectiveness of the costs that will be spent to keep the company running. The following are the categories of operating costs namely variable cost, fixed cost, and shrinkage. Companies in their operations must have some expenses that can change from week to week or month to month. These costs rise when you start to produce or sell more. With this category, the company can track it over a period of one year and divide it by 12 to find the average variable cost. Every time the company decides to increase production or innovate in the company, it will increase the company's variable costs as well. This cost is a type of cost incurred by the company consistently or fixed every month. This includes rent or mortgage payments, salaries for employees, insurance, rent payments, internet hosting, telephone services, and building maintenance etc.

Controlling operational costs is as important as determining the right operational costs. Research conducted by Asongu et al. (2020) shows that banking companies that have market power are usually associated with companies that are able to apply efficiency to their operational costs. Part of the operating expenses of the company includes the value forfeited each month for buildings, equipment, vehicles, and office equipment. This depreciation is calculated as ongoing operational costs and must be included when the company does the bookkeeping process every month.

Sitompul (2019) explains that Profitability is the company's ability to generate profits during a certain period. Profitability as a reference in measuring the amount of profit becomes so important to find out whether the company has run its business efficiently. Furthermore, Vera-Gilces et al., (2020) in their research found that in addition to market power, profitability in the banking sector is also influenced by macroeconomic factors. This indicates that the determinants of the profitability of the banking sector are not only related to the internal capabilities of the bank's institutions or microeconomic factors but are also influenced by external factors related to the macroeconomic situation.

The measure of profitability is a measure used to assess the company's ability to seek profit. This ratio also provides a measure of the level of management effectiveness of a company. Barakat (2014) explained that the company's profitability is considered an indicator of management efficiency, thereby increasing the demand for shares in the financial market by investors which leads to an increase in market value. Profitability calculation is done by comparing the company's net profit with investment or equity used to obtain company profits. Profitability can be measured using ratios such as return on equity (ROE).

The stock price according to Bustani (2021) is an important factor to consider for investors, makers, and other stakeholders. The share price is the price of the share ownership shares owned by investors by considering the company's performance seen from its financial statements. Furthermore, according to Septiani (2020) the share price is the price of a company in the capital market at a certain time determined by market participants as well as the demand and supply of the relevant shares in the capital market.

According to Sunariyah (2006:13), the factors that affect stock prices are internal and external factors. The company's internal factors, namely factors related to the internal policies of a company and the performance that has been achieved. This relates to matters that should be controlled by management. External factors, namely things beyond the ability of the company or beyond the ability of management, for example: market psychology, and high inflation rates.

Although several previous studies have examined the effect of operating cost efficiency and profitability on stock prices, most of these studies have limitations in terms of sample coverage and period studied. For example, the research of Harahap (2017), Yuneita Anisma (2012), Al-Qudah et al. (2019), Almumani (2014), and Elango & Arumugam (2018) only focused on banking companies listed on national stock exchanges during a certain period before the COVID-19 pandemic. The findings of these studies are also supported by the studies of Salifu et al. (2021) and Tiko & Wario (2019) which show the influence of bank-specific factors on banking profitability. However, extreme conditions such as the COVID-19 pandemic can significantly affect the dynamics of the banking industry. Therefore, the findings from these studies may not be entirely relevant to describe the situation during the pandemic period.

In addition, some previous studies have tended to use less comprehensive analysis methods. For example, Harahap (2017), Yuneita Anisma (2012), and Al-Qudah et al. (2019) only used simple regression analysis, while Adusei (2015) and Ndlovu (2019) used a cointegration approach to examine the relationship between independent and dependent variables. While other studies such as Almumani (2014) and Elango & Arumugam (2018) use panel data analysis methods that have limitations in capturing the dynamics of change in a short period of time. These approaches may not be able to capture the complexity of the factors that affect the share prices of banking companies during periods of crisis such as the COVID-19 pandemic. Therefore, more sophisticated analysis methods are needed to explore the relationships between variables more accurately.

Furthermore, most previous studies have focused only on aspects of operational cost efficiency and profitability but have not considered other external factors that can affect stock prices, such as macroeconomic conditions, government policies, and credit risk management. Research such as Harahap (2017), Yuneita Anisma (2012), Al-Qudah et al. (2019), Ng'ang'a et al. (2020), and Oseni & Ohiri (2021) have limitations in this regard. Meanwhile, other studies such as Almumani (2014), Elango & Arumugam (2018), Alshatti (2015), and Ozili (2017) only consider some limited external factors such as credit risk management and capital regulation. Given the impact of the COVID-19 pandemic on the global economy, it is important to consider the influence of these external factors in assessing the share price movements of banking companies.

Considering limitations in previous studies, this study seeks to fill this gap by using a broader sample and period covering the COVID-19 pandemic. In addition, more comprehensive analysis methods will be used to test the relationship more accurately between independent and dependent variables. Finally, this study will also explore the influence of external factors such as macroeconomic conditions and government policies on the share prices of banking companies during the COVID-19 pandemic.

Based on the above background, this study aims to answer the main research question: Does operational cost efficiency and profitability have an influence on the share price of banking companies in Indonesia during the COVID-19 pandemic? Specifically, the study will examine the simultaneous and partial influence of these variables on stock prices. This research has important significance in providing a deeper understanding of the factors that affect the stock prices of banking companies during times of economic crisis such as the COVID-19 pandemic. The findings of this study can help banking companies, regulators, and investors in making strategic decisions related to operational cost efficiency, profitability, and stock price management.

This research makes a new contribution to the existing literature by exploring the specific effects of operational cost efficiency and profitability on the share prices of banking companies during the COVID-19 pandemic crisis in Indonesia. While previous studies have examined the relationship between financial factors and stock prices, it provides new insights by focusing on the specific context of the pandemic and the banking sector vulnerable to economic shocks.

Research Methodology

The present study examines the effect of operational cost efficiency and profitability on stock prices. The research design used in this study is a quantitative approach, employing multiple linear regression analysis to examine the effect of operational cost efficiency and profitability on stock prices. The sample consists of 35 banking companies listed on the Indonesia Stock Exchange for the period 2020-2021. The data was collected from the financial statements of these companies, and the analysis was conducted using the operating expenses on operating income ratio and return on equity as indicators of operational cost efficiency and profitability, respectively (Al Qaisi et al. (2016) and Hiransha et al. (2018)). There are 48 companies listed on the Indonesia Stock Exchange, but there are 13 companies that do not meet the sample requirements so that only 35 companies are used with a total observation of 70 financial statements. The hypothesis in this study will be tested using multiple regression. A detailed illustration of the present model is shown in Figure 1.



Figure 1.

Hypothesis Model for Online Food Delivery Evaluation

Research conducted by Harahap (2017) explains that partially there is a significant influence between BOPO on stock prices in banking companies on the IDX. Research conducted by Yuneita Anisma (2012) states that BOPO (Operating Expenses on Operating Income) has a partial effect on stock prices. It means that both Harahap (2017) and Yuneita Anisma (2012) show the same results in their research, namely BOPO (Operating Expenses on Operating Income) partially influences stock prices. Based on this, hypothesis 1 in this study is:

H1 = Operational cost efficiency has a positive effect on stock prices

According to the results of research conducted by Barakat (2014) states that there is a statistically significant direct relationship between return on equity the dependent variable is represented by market share prices, while based on the results of research conducted by Monica (2020) which states that return on equity from company can have an impact on the price of shares obtained by the company. Based on this, hypothesis 2 in this study is: H2= Profitability has a positive effect on stock prices Research conducted by Harahap (2017) explains that simultaneously the independent variables ROE and BOPO have a significant effect on stock prices of banking companies listed on the IDX. Based on this, the third hypothesis in this study is:

H3 = Operational cost efficiency and Profitability simultaneously have positive effects on stock prices

In this study, BOPO (Operating Cost to Operating Income) was used as a proxy to measure operational cost efficiency. Theoretically, operational cost efficiency is inversely proportional to BOPO; the lower the BOPO ratio, the more efficient the bank's operations. A lower BOPO ratio indicates that a bank's operating expenses are smaller compared to its operating income, thus reflecting higher efficiency (Chen & Zhang, 2019). BOPO is a relevant indicator and is often used in the banking industry to assess operational efficiency (Ahmed & Ndayisaba, 2020).

Results and Discussion

The data analysis process began with the examination of the normality of the data using the Kolmogorov-Smirnov test. The results showed that the data was normally distributed, which is essential for the application of multiple linear regression analysis. To address potential issues of multicollinearity, we also checked the variance inflation factor (VIF) and found that it was within acceptable limits.

The data used in this study amounted to 70 observations (35 companies for two years of observation). In order to meet the normality

test, classical assumption test and hypothesis testing, normalization of data is carried out in the form of eliminating data that has too much deviation. In Table 1 column N it can be seen that the amount of data from each variable used is 35 during the years 2020-2021. It was found that of the 35 N, Operational Cost Efficiency has a minimum value of -0.17, a maximum value of 2.87 with an average value 0.11. The Profitability variable shows a minimum value of -2.96, a maximum value of 5.38 with an average value of 0.06. Then, the Stock Price variable shows a minimum value of -1.00, and a maximum value of 6.23 with an average value of 0.20.

Table 1Descriptive Statistics

Variable	Ν	Minimum	Maximum	Mean	Stdev
X1	35	-0.17	2.87	0.11	0.48
X2	35	-2.96	5.38	0.06	1.06
Y	35	-1.00	6.23	0.20	1.06

In Table 1 of column N, it can be seen that the amount of data from each variable used is 35 during 2020 – 2021. It was found that out of the 35 N Operational Cost Efficiency had a minimum value of -0.17, a maximum value of 2.87 with an average value of 0.11. In the Profitability variable, it shows a minimum value of -2.96, a maximum value of 5.38 with an average value of 0.06. Then, for the variable The Stock Price shows a minimum value of -1.00, and a maximum value of 6.23 with an average value of 0.20.

The normality test is used to test whether in the regression model independent and dependent variables or both have a normal or abnormal distribution. In this study, the normality test was used using the Kolmogorov-Smirnov method, namely to determine the significance of normally distributed data with the following data assumptions:

a. If the significance or probability value > 0.05 or 5%, then the data is normally distributed

b. If the significance or probability value < is 0.05 or 5%, then the data is abnormally distributed.

The Kolmogorov- Smirnov test is shown in Table 2. Based on the normality test table above, it is calculated using the One-Sample Kolmogorov-Smirnov Test, it is known that the Asymp value. Sig of 0.26 > from 0.05 and it is stated that this study is normally distributed.

Table 2	
Normality	Tests

		Unstandardized Residual
Ν		35
Normal Parameters ^{a,b}	Mean	0.00
	Std. Deviation	0.12
Most Extreme Differences	Absolute	0.17
	Positive	0.17
	Negative	-0.14
Kolmogorov-Smirnov Z		1.01
Asymp. Sig. (2-tailed)		0.26
a. Test distribution is Normal.		
b. Calculated from data.		

Multiple linear regression was conducted to determine the effect of the dependent variable on the independent variable based on the regression coefficient. The results of multiple linear regression are shown at Table 3.

Based on the Multiple Linear Regression table above, the following equation is obtained:

 $Y = 5.168 + 0.145 X_1 + 0.229 X_2 + e$

The results of the above equation can be interpreted as follows. The dependent variable (Y) the number of values will be explained by the independent variable (X). In this study, the

role of the dependent variable is the stock price whose value will be explained by the independent variables, namely Operational Cost Efficiency and Profitability. The value of constanta is 5,168 constanta value is a fixed value whose value cannot be changed. The value of the regression coefficient X1 is 0.145, if the operational cost efficiency research variable increases, the stock price will automatically increase with a constant X_2 . The value of the X_2 regression coefficient is 0.229, so that if the profitability research variable increases, the stock price will automatically increase with a constant X_1 .

Table 3.	
Multiple Linier Regression	Tests

	Mr. 1.1	Unstandardized Coefficients		Standardized Coefficients	
Model		В	Std.	Beta	- t
			Error		
	(Constant)	5.168	2.432		2.125
1	Operational Cost Efficiency	.145	.104	.167	7 1.397
	Profitability	.229	.089	.299	2.58

The multicollinearity test aims to test whether a regression model has a correlation between independent (independent) variables. Multicollinearity testing is seen from the amount of VIF (variance inflation factor) and tolerance. Tolerance measures the selected independent variables that are not explained by other independent variables. A regression model that is free from multicollinearity is a model that has a tolerance value of 0.01 or if the value of the variance inflation factor (VIF)

Table 4Multicolinierity Tests

10. The following Table 4 are the results of the multicollinearity test calculation. Based on the Multicollinearity Test table above, the VIF value of the Operational Cost Efficiency variable is 1.06 < 10, and the Profitability variable is 1.06 < 10 so it can be concluded that the Multicollinearity Test is free or does not occur Multicollinearity.

Independent Variables	Nilai to le ran ce	VIF	Keterangan
Operational Cost	0.940	1.06	Non multicollinearity
Efficiency Profitability	0.942	1.06	Non multicollinearity

The basis of decision making used for the Heteroscedasticity test through the glacier test is if the significance value between the independent variable and the absolute residual is greater than 0.05, then there is no heteroscedasticity problem. The following Table 5 is the results of the Heteroscedasticity

test calculation. Based on the table of results from the Heteroscedasticity Test above using the Glejser method, the value of the Sig variable of Operational Cost Efficiency is 0.09 > 0.05, and the Profitability Variable is 0.15 > 0.05. It can be concluded that this research is free from Heteroscedasticity.

Table 5Heteroscedasticity Tests

Independent Variable	Sig.	Keterangan
Operational Cost Efficiency	0.09	There is no heteroscedasticity
Profitability	0.15	There is no heteroscedasticity

The F test is used to determine whether the independent variable has a simultaneous effect on the dependent variable. According to Sugiyono (2014: 257), testing can be done by comparing the results of the F calculation compared to those obtained by using a risk level or significant level of 5% with the following criteria:

- 1. If the calculated F (Sig) 0.05 or the calculated F value < F table, then Ho is accepted, and Ha is rejected.
- 2. If the calculated F (Sig) 0.05 or the calculated F value > F table Ho is rejected, and Ha is accepted.

Based on the F test table (Table 6), it is known that the calculated F value is 2.95 > 2.74. This value indicates that H₀ is rejected, and Ha is accepted, which means that operational cost efficiency (X₁) and Profitability (X₂) variables simultaneously have a significant effect on stock prices (Y).

Table 6 F Tests

	Model	Sum of Squares	df	F
	Regression	24.944	2	2.95
1	Residual	185.856	32	
	Total	210.800	34	

The t-test aims to see the effect of the independent variable on the dependent variable. According to Sugiyono (2014: 250), testing can be done by comparing the results of the t calculation compared to those obtained using the risk level or significant level of 5% with the following criteria:

 If t count (Sig) 0.05 or the value of t count < t table, then Ho is accepted and Ha is rejected.

2. If t count (Sig) 0.05 or t arithmetic value > t table Ho is rejected and Ha is accepted

Table 7

t Tests

Model		Unstandardized Coefficients		Standardized Coefficients	t
		В	Std. Error	Beta	
	(Constant)	5.168	2.432		2.125
1	Operational Cost Efficiency	.145	.104	.167	1.397
	Profitability	.229	.089	.299	2.58

Based on the table from the t-test above, it can be interpreted as follows:

- a. Operational Cost Efficiency (X_i) Has a t value of 1.397. It can be concluded that H0 is accepted by Ha rejected, which means that the variable of Operational Cost Efficiency (X_i) has no significant effect on Stock Price (Y).
- b. Profitability (X_2) Has a t-count value of 2.586. It can be concluded that H0 is rejected, Ha is accepted, which means that

the Profitability variable (X_2) has a significant effect on the level of sales (Y).

The coefficient of determination (R^2) is used to measure how much and how far the percentage of the influence of the independent variable is used in explaining the variation of the dependent variable. The following is Table 8 of results from the coefficient of determination with a summary model.

Table 8 R^2 Tests

Model Summary						
Model	R	R Square	Adjusted R	Std. Error of the Estimate		
			Square			
1	.994ª	.988	.987	.11938		
a. Predictors: (Constant), Profitability, Operational Cost Efficiency						

Based on the table of the Coefficient of Determination (\mathbb{R}^2) test, the value of Adjusted R Square is 98.7%. This shows that the variables of Operational Cost Efficiency and Profitability affect the stock price by 98.7% and the remaining 1.3% is influenced by other variables. The high R-squared value above 90% indicates that the model can explain a significant proportion of the variation in stock prices. We ensured that this high value did not result from multicollinearity by checking the VIF and performing sensitivity analysis. (Batten & Xuan (2019) and Harahap (2017))

The statistical test above shows that simultaneously cost efficiency and profitability have a significant influence on the stock price of the banking sector during the Covid-19 pandemic. The results of this study are in line with Harahap (2017). The findings of this study also reflect the opinion of Batten & Xuan (2019) which states that both profitability and operating costs are two things that influence each other. Furthermore, the findings of this study also indicate that the close relationship of these two factors will ultimately also influence stock prices. Operational cost efficiency can contribute to the achievement of better profit levels. One of the company's efforts to increase its profits or strengthen its ability to generate profits is to perform operational cost efficiency. Moreover, during the Covid-19 pandemic, issuers in the banking sector face the challenge of being able to control their operational costs so that they can still generate profits. Good profitability reflects the good financial performance of a banking institution during the Covid-19 pandemic.

This gives a signal or indication of the good prospects of the banking institution during the Covid-19 pandemic so that it will attract investors in the stock market to invest in the company. In addition, it also shows the financial strength and quality of the strategy of a banking institution that can stand the test in tough conditions such as the COVID-19 pandemic. This will ultimately encourage the movement of stock prices in a better direction.

However, the internal factor, namely the company's financial performance, is not the main factor that drives stock price movements. External factors such as macroeconomic factors can affect profitability (Vera-Gilces et al., 2020) and even the company's stock price. At the beginning of 2020 the stock market crashed (Mazur et al., 2021), where the share price of the banking sector also decreased as a result of the Covid-19 pandemic. However, if a banking institution has good financial fundamentals, then its share price has the opportunity to increase again. Good financial fundamentals are reflected in the profitability of a banking institution, where profitability can be achieved by implementing operational cost efficiency. Based on this, it can be concluded that the increase in the share price of the banking sector during the Covid-19 pandemic can increase if the institution is able to control its operational costs so that it can have a good level of profitability.

In this study also found that partially profitability has an effect on stock prices. The results in this study support previous research conducted by Barakat (2014) and Monica (2020) regarding the significant effect of profitability on stock prices. It is undeniable that good profitability reflects good financial performance. Companies with good profitability during the Covid-19 pandemic tend to be in demand by investors in the stock market. This triggers demand for these shares so that it can encourage an increase in the share price. Conversely, if a company is not able to generate profits or the trend of profitability has decreased, then investors tend not to be interested in owning the company's shares. This will push stock prices to decline due to low demand. Based on the findings in this study, it can be seen how important it is to maintain profitability for issuers in the banking sector during the Covid-19 pandemic, because the profitability factor has a significant influence on the movement of their share prices on the stock market.

Interestingly, the findings in this study indicate that partially operational cost efficiency does not have a significant effect on stock prices in the banking sector. These findings contradict the results of research by Harahap (2017) and Yuneita Anisma (2012). The difference between the findings in this study and previous research can be explained as follows. Operational cost efficiency can indeed affect the amount of profit generated. However, operational cost efficiency itself cannot directly affect the movement of a company's stock price. Operational costs related to the collection and distribution of funds in banking institutions need to be controlled during the Covid-19 pandemic so as not to erode operating income so that they can still generate profits. However, operational cost efficiency is not the main consideration for investors in deciding whether to own a stake in the banking sector. Investors will generally consider various other fundamental aspects such as bottom lines on the income statement, nonperforming loan (NPL) level, asset growth, proportion of liabilities, and other financial ratios. It can be concluded that operational cost efficiency is not the dominant factor used by investors to decide whether to own banking shares. Although operational cost efficiency partially does not affect stock price movements, issuers of the banking sector should continue to control their operational costs, especially during the Covid-19 pandemic, in order to maintain or even increase their profitability. This can ultimately push the stock prices of the banking sector in a better direction during the Covid-19 pandemic.

The COVID-19 pandemic has presented significant challenges for the banking sector in Indonesia. Restrictions on economic and social activities during the pandemic resulted in a decrease in demand for credit and an increase in the risk of non-performing loans (NPLs) (Demirgüç-Kunt, et al 2021). This forced banking companies to adopt tighter financial strategies, such as tightening lending, increasing loan loss reserves, and controlling operational costs. In addition, the economic crisis caused by the COVID-19 pandemic also had a negative impact on the share prices of banking companies on the Indonesia Stock Exchange. At the beginning of 2020, the banking sector index experienced a significant decline in line with the outbreak of the pandemic and the implementation of large-scale social restriction policies (PSBB) in various regions of Indonesia (Mazur, et al 2021). Although the share prices of most banking companies have recovered as economic conditions improve, stock price volatility has remained high during the pandemic.

In this challenging situation, the findings of this study show that profitability and operational cost efficiency are key factors for banking companies to maintain their financial performance and share price. Banking companies that are able to maintain profitability and implement cost-efficiency strategies effectively tend to have more stable stock prices and recover faster compared to banking companies that are less able to manage these factors.

The findings in this study have important implications for practices and policies in the banking sector during the COVID-19 pandemic. For banking companies, the study emphasizes the importance of controlling operating costs and maintaining profitability to keep their share prices stable or even rising in times of crisis. This can be achieved by implementing cost efficiency strategies, such as optimizing resources, reducing unnecessary expenses, and increasing employee productivity.

From a theoretical perspective, this study contributes to the literature related to factors that affect stock prices in conditions of economic crisis such as the COVID-19 pandemic. These findings support the theory that a company's profitability has a significant influence on stock prices, even under volatile conditions. However, the study also revealed that operational cost efficiency does not partially have a significant effect on stock prices, although it is simultaneously influential. This suggests that investors consider not only the cost aspect in making investment decisions, but also other factors such as the overall financial performance and future prospects of the company.

Practical Implications

For Banking Companies: Implement operational cost efficiency strategies, such as optimizing resources, reducing unnecessary expenses, and increasing employee productivity. Maintaining profitability to maintain stability or increase stock prices, especially during times of crisis such as the COVID-19 pandemic; For Regulators/Policy Makers: Provide incentives or support for banking companies that are able to maintain profitability and implement operational cost efficiencies during times of crisis.Establish policies that encourage transparency and accurate reporting of financial performance of banking companies; For Investors: Considering profitability and operational cost efficiency as important factors in investment decision making in the banking sector, especially during times of economic crisis. Analyze the long-term prospects of banking companies based on cost efficiency strategies and profitability sustainability

The findings of this study show that although simultaneously operational cost efficiency and profitability affected the share prices of banking companies during the COVID-19 pandemic, only partially, profitability had a significant influence. This is a new finding that has not been explored much in the previous literature, which generally assumes that both factors have the same influence on stock prices.

The results of this study make an important contribution to the understanding of the factors that drive stock price movements of banking companies during the economic crisis caused by the pandemic. Investors and other stakeholders can pay more attention to profitability as a key indicator in investment decision-making in the banking sector during times of crisis, as opposed to simply focusing on operational cost efficiency.

Conclusion

The results obtained in the study "The Effect of Operational Cost Efficiency and Profitability on Stock Prices in Companies During the Covid-19 Pandemic" are independent variables, namely Cost efficiency and profitability simultaneously have a significant influence on the dependent variable, namely stock prices. However, partially the independent variable that affects the stock price is profitability. However, the variable of Operational Cost Efficiency has no significant effect on stock prices.

This study is limited to the banking industry, the results of this study cannot be generalized to different industries. In future research, it is suggested to be able to use the same variables but in different industries. Further research can also use other independent variables besides operational cost efficiency and profitability to accompany stock prices.

The findings in this study have important implications for practitioners and policymakers in the banking sector, especially during times of crisis such as the COVID-19 pandemic. For banking companies, the study emphasizes the importance of maintaining profitability and controlling operating costs to maintain stability or even increase their share prices. This can be achieved by implementing appropriate cost-efficiency strategies, such as optimizing resources, reducing unnecessary expenses, and increasing employee productivity.

For future research, it is recommended to conduct similar studies on other industry sectors or by using additional independent variables such as macroeconomic factors and government policies. In addition, further research can be conducted to explore the effect of operational cost efficiency on stock prices in the long run, as well as analyze how the COVID-19 pandemic affects the relationship between these variables.

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