1. Introduction

Capital markets, including Indonesia, are essential in the current global economy. In a narrower context, the capital market is an organized place where securities such as stocks and bonds are traded, also known as a stock exchange. Rustiana and Ramadhani (2022) say that the stock exchange is an organized structure that connects sellers and buyers of stocks, either directly or through their representatives. In Indonesia, one of the stock exchanges known to the public is Indonesia Stock Exchange (BEI), which is very active in facilitating trading in stocks and other financial instruments. BEI acts as a source of financing for development and expansion, which comes from public funds collected for companies or stock issuers.

Its position as a major financial institution that not only provides conventional banking services but is also the main driving force in the capital market through various investment products and financial services means that the financial industry contributes an important role in the capital market ecosystem. Banks conducting Initial Public Offerings (IPO) have access to the capital market to obtain fresh funds, which can be used for various purposes, such as business expansion, raising capital, or developing new products and services. This theory is consistent with the views expressed by Ady (2021), who says that companies going public take advantage of the existence of the capital market to obtain sources of funds or alternative financing.

Banks listed on the capital market also have the opportunity to improve their image and reputation by appearing more transparent and accountable, strengthening their position in the market, and encouraging more sustainable growth. Forty-seven (47) banks, including conventional and Sharia commercial banks, have been registered on the IDX, showing the banking sector's high interest in capital market activities.

Table 1 is Weekly Capital Market Statistics data obtained from the IDX website. It describes the development of stock trading based on industrial sectors in the capital market as of the first week of January 2024. Based on this data, the financial sector makes the largest contribution, 32.58%. In the financial sector, there are one hundred and five (105) issuers, and 47 of them are issuers operating in the banking industry, showing a significant dominance of 44.8%.

Table 1. Development of Sectoral Stock Trading

Sectoral Stock Trading Developments					
Sector	Average for 2024			Market Capitalization	
	Volume (Million)	Value (IDR Billion)	Frequency (Thousand)	Value (Rp)	%
Total Sectoral Index	16.048,32	8.322,60	1.079,64	11.772.291.359.037.400	100,00
IDX Sector Energy	2.876,59	967,49	139,11	1.450.358.517.271.720	12,32
IDX Sector Basic Materials	999,79	1.133,48	131,20	1.722.544.004.363.050	14,63
IDX Sector Industrials	478,89	459,22	46,58	392.860.116.737.573	3,34
IDX Sector Consumer Non-Cyclicals	3.018,11	676,62	183,40	1.173.868.265.871.020	9,97
IDX Sector Consumer Cyclicals	1.753,31	754,12	115,73	413.132.676.003.936	3,51
IDX Sector Healthcare	897,62	298,94	47,63	249.335.563.913.691	2,12
IDX Sector Financials	1.246,83	2.844,01	125,09	3.835.731.505.383.250	32,58
IDX Sector Properties & Real Estate	757,45	129,07	58,41	257.807.018.023.000	2,19
IDX Sector Technology	1.988,42	224,92	43,81	365.326.813.420.675	3,10
IDX Sector Infrastructures	1.340,09	677,39	99,30	1.864.346.165.239.870	15,84
IDX Sector Transportation & Logistic	691,23	157,32	89,37	46.980.712.809.566	0,40

Source: Processed by researchers from the OJK website (2024)

This strength in banking demonstrates the central role of banking institutions as a key driver of Indonesia's economic growth, not only as institutions providing financial services but also as main actors in the capital market. Having a close relationship, the capital market can be utilized for judging a bank's financial performance, which then determines the value of the bank. Generally, the market will respond positively through increased stock prices if the bank's financial performance and value are considered good. This is in line with Manaf's (2023) research, where he says that growth will positively impact a company's financial performance and value in relation to its stock price. The current price of a stock is the price at which a stock (or stock) of a company is bought or sold on the stock exchange (Aspriyadi, 2020). In short, the stock price represents the market value of a company based on supply and demand on the stock exchange, where this stock price reflects the portion of ownership in the company.

Fundamental factors (internal and basic), technical factors (a combination of external factors related to market supply and demand) and market sentiment (subjective, biased and irrational) influence stock prices. Although market sentiment is often overlooked in previous research, it plays an essential role. Stock returns indicate performance that impacts economic rewards for stockholders while also contributing to the development of industry and the country. Thus, research on stock returns is very relevant (Surjandari et al., 2020).

Investing refers to allocating money or resources with the goal of generating returns or profits over a period of time (Alamsyah et al, 2018). Japaruddin et al. (2023) mentioned that investors see stock prices as an indicator of the potential returns they can get from investment, so stock prices play an important role in influencing investment decisions in the capital market; therefore, an analysis is certainly needed to ensure whether the price of a stock is reasonable and has the potential to bring profits to investors, as what’s been said by Azzahra et al (2021) that investors would choose companies that benefit them. According to Namashuda et al, (2024), fundamental analysis is a process that can be used to identify whether a stock is below or above its normal price at a certain time. In other research, according to Sadikin and Agustina (2023), fundamental analysis aims to evaluate the intrinsic value of a stock based on the company's financial performance and business conditions. Thus, it can be said that through fundamental analysis, investors can assess and determine whether a stock is under a fair price (undervalued), in line with a fair price (correctly valued) or above a fair price (overvalued) based on a more accurate and in-depth evaluation on financial statement.

Financial performance is one of the first things that attracts investors before they make an investment since, as a company's value increases, its stock price will also increase (Fitriyana et al (2020). Financial performance itself can be evaluated through financial reports held by the company or related business entity, which is reflected in the information contained in the balance sheet, profit and loss report, and cash flow report, as well as other factors that also support strengthening the assessment of financial performance (Putri & Iradianty, 2020). Financial reports aim to deliver information about the organization that can be linked to a variety of other facts, such as company risks, economic conditions, and industry, and provide a clearer picture of prospects (Aulia, 2022).

According to previous expert opinions, to find out if a stock price is undervalued, correctly valued or overvalued, it is necessary to conduct a fundamental analysis by comparing the intrinsic value with the market value or stock price. Intrinsic value is an estimate of a stock's true value or fair value, which reflects the true value that a stock should have, regardless of its price in the current market. Stock prices in the capital market do not always indicate the true intrinsic value (Ain & Fadila, 2023). If a stock's intrinsic value is lower than its market value, it is considered undervalued. Conversely, stock will rise if the intrinsic value is higher than the market price. A stock is considered to be worth more if its intrinsic value and market price differ. According to Rita (2024), fundamental analysis in assessing intrinsic value can use the price-earnings ratio or PER approach. "The earnings price ratio (PER) is a ratio that shows the comparison between stock price and net income for each outstanding stock." (Saputra, 2022).

The relationship between PER and stock prices is very close, where PER gives an idea of how expensive or cheap a stock is compared to the profits the company can generate, which can then shape stock prices (Ganefi et al., 2023). Ustman et al. (2021) say that an increase in the PER suggests an increase in the company's financial performance, which will effect stock prices. Based on this, it can be said that good financial performance will increase PER, which can encourage investors to invest, ultimately increasing stock prices. Specifically, the addition of PER as an intervening variable in the title of this study shows the importance of understanding not only the direct influence of financial performance on stock prices but also how intrinsic value is a moderating factor and can influence this relationship.

Financial performance demonstrates a company's capability to efficiently manage its operations and generate profits, with strong profitability signaling promising prospects for investors. This positive performance can attract investor interest, leading to increased demand for the company's stocks in the capital market, which in turn influences stock prices (Muthmainnah, 2023). In general, performance is a measure of the achievement of results or output resulting from a series of activities or processes. In the field of accounting and finance, "financial performance" refers to an overview of a company's financial condition within a specific period (Sudirman et al., 2023). Briefly said, a company's financial performance serves as a visual representation of all aspects of its financial situation, analyzed through various financial analysis tools to assess its strengths and weaknesses. This evaluation provides insight into the company's operational efficiency and effectiveness over a specific period, reflecting its overall performance (Yusrany et al., 2022).

Some elements that are generally considered by investors in bank financial statements are related to the level of profitability, liquidity and solvency, which are reflected through each financial ratio, such as “Return of Assets or ROA, Current Ratio or CR, Debt to Equity Ratio or DER, Non Performing Loan or NPL and Loan to Deposit Ratio or LDR”.ROA is an important indicator to assess a company's efficiency in utilizing its assets.Khasanah and Surwati (2022) conclude that ROA affects bank stock prices, while the findings of

Wijayani et al (2022) conclude that ROA does not affect bank stock prices. CR is a tool used to assess a company's ability to pay short-term liabilities that are due by using assets that are easily liquidated in a short time, such as cash, accounts receivable and inventory. Companies with high CR are considered better able to overcome their short-term obligations. The findings of Sayed et al. (2022) concluded that CR affected bank stock prices, while in their research, Sulistyani and Harianja (2022) concluded that CR does not affect bank stock prices. DER evaluates the extent to which a company relies on debt to fund its operations relative to its equity. The research results of Paramayoga and Fariantin (2023) concluded that DER affected bank stock prices. In contrast, a year earlier, Wicaksana et al. (2022) in their research concluded that DER did not affect bank stock prices.

LDR is a ratio that assesses the extent to which a bank uses the funds it receives from customers as a source of financing to provide credit to other borrowers. In their research, Permana et al. (2022) concluded that LDR affected bank stock prices, while Purnamasari and Sitorus (2023) concluded that LDR did not affect bank stock prices. NPL describes a loan that needs to borrower does not pay according to the agreed repayment schedule. Megilatul et al. (2022) conclude that this ratio affects bank stock prices; however, according to Pangesti and Miftah (2022), the NPL ratio does not affect bank stock prices. In connection with some of these financial ratios, a brief analysis of the financial reports of several banks has been carried out, and a situation has been found where there is a discrepancy between theoretical concepts and the reality that occurs in the field.

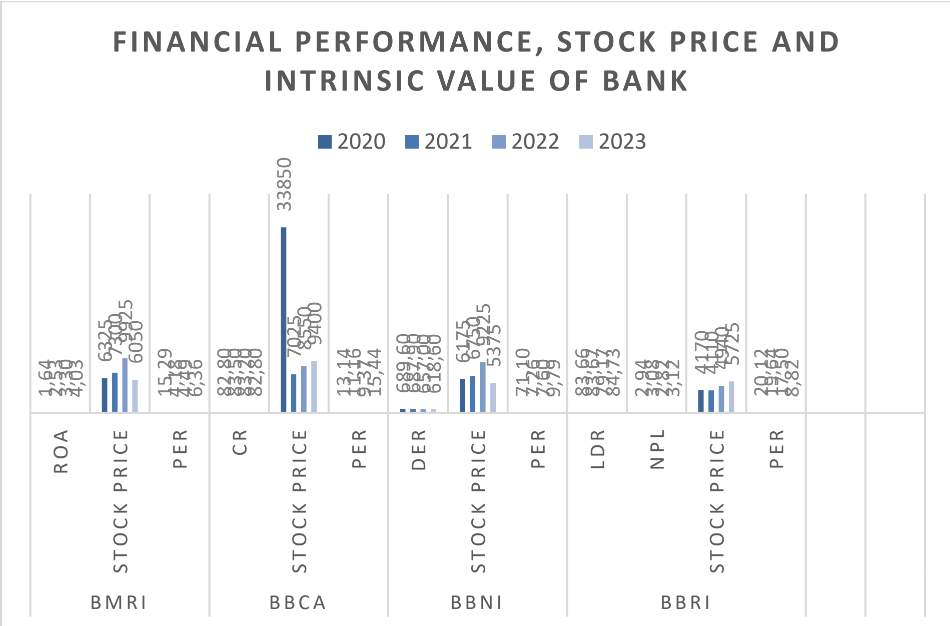

Figure 1. Data on Financial Performance, Stock Prices & Intrinsic Value of Banks
Source: Researcher's Process (2024)

Savitri & Pinem (2022) argue that rising profits attract investors to invest in the company's stocks. Thus, that stock prices also rise while in reality, for example, in Figure 1, it can be seen that Bank Mandiri's profits in 2020 and 2022 are reflected in ROA was 1.64% and 3.30%, followed by a closing stock price of IDR 6,325 and IDR 9,925, while in 2023 the ROA owned increased to 4.03%. However, that year, Bank Mandiri experienced a decline in stock price to IDR 6,050. In 2020, the PER owned by Bank Mandiri was higher than the PER in 2023, namely 15.29, but the price of the stocks owned was higher, namely IDR 6,325. This is not in accordance with the theory that PER can reflect a company's stock price, where a low PER tends to attract investor interest and increase stock prices and vice versa (Tannia & Suharti, 2020).

Other discrepancies also occur about the CR theory, where Fadlilah et al. (2023) argue that a low CR will decrease the market price of the company's stocks in question. However, in reality, for example, BCA has a low CR, namely 82.8% in 2020 and 2023; however, this was followed by high stock prices, IDR 33,850 and IDR 9,400, respectively, in those years. In contrast, in 2021, BCA had the highest CR percentage, 83.50%, followed by the lowest stock price, IDR 7,025. Even in 2023, BCA's PER is higher than the PER in 2021 and 2022, namely 15.44, but its stock price is higher than the stock price in both years. The next discrepancy is related to DER, where Dewi & Suwarno (2022), in their research, said that the higher the DER value, the lower the company's stock price.

Different from the existing reality, where, for example, BNI's DER has been consecutive since 2020; 2021 and 2022 is 689.60%, 687.90 and 657% but followed by the highest stock price, namely IDR 6,175; IDR 6,750 and IDR 9,225, while in 2023 BNI's DER will fall to 618.6% but the stock price will also fall to IDR 5,375. BNI's PER in 2022 increased to 7.60, followed by a stock price of IDR 9,225, while the PER in 2021, which was lower, namely 7.26, was followed by a lower stock price. Furthermore, BRI's financial report shows that this bank had a high LDR in 2020, 2021, and 2023, namely 83.66%, respectively, 83.67%, and 84.73%. This condition is accompanied by a high NPL percentage, namely 2.94%, 3.08%, and 3.12% in that year.

This means that in 2020, 2021, and 2023, BRI allocated even more third-party funds to be channeled through credit or loans, but an increase in the number of non-performing loans accompanied this. Normally, when the LDR rises, stock prices increase; when the NPL rises, the stock price automatically falls by itself (Amala & Fisabilillah, 2021). However, in the case of BRI, the increase in LDR, which is followed by an increase in NPL, is followed by an increase in the stock price of IDR 4,170 in 2020 and IDR 4,110 in 2021 to IDR 5,725 in 2023. Simultaneously, other discrepancies also occurred, where BRI's PER in 2020 was valued at 20.12 but was followed by a higher stock price, namely IDR 4,170, compared to in 2021, which has a PER of 19.64 and a stock price of IDR 4,110.

Based on the backdrop described above, the study entitled "The Effect of Financial Performance on the Stock Prices of Commercial Banks Listed on Indonesia Stock Exchange (IDX) with Intrinsic Value as an Intervening Variable" is essential to carry out in connection with the discrepancy between theoretical concepts and the reality that occurs in field, where this research can provide an in-depth understanding of how the financial performance of commercial banks directly influences stock prices in the Indonesian capital market, by considering intrinsic value as an intervening variable. In the context of a dynamic economy and complex capital markets, this understanding provides investors and market analysts with insight into the factors that influence bank stock valuations and provides strategic insight for bank management to improve its financial performance in a way that can increase value of the company as a whole.