The Influence of Bank Health Indicators, External Factors and Profit Growth on Banking Stock Returns on the Indonesia Stock Exchange

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Article Info	Abstract
	The purpose of this study was to examine the effect of bank health indicators, external factors and earnings growth on stock returns. The sample of this research is banking sector companies listed on the Indonesia Stock Exchange (IDX) during the 2016–2020 period. The data analysis method used is multiple linear regression analysis with eviews 12.0 application tools. The results showed that (1) non-performing loans (NPL) had a positive and significant effect on stock returns, (2) return on assets (ROA) did not significantly affect stock returns, (3) net interest margin (NIM) did not significantly affect stock returns. , (4) capital adequency ratio (CAR) has a positive and significant effect on stock returns, (5) inflation has a positive and significant effect on stock returns, (6) the BI Rate has no significant effect on stock returns, (7) earnings growth has no significant effect to stock returns.

INTRODUCTION

Shares are securities as proof of ownership of a company based on their proportion, the amount of ownership is determined by how many shares are invested in the company. Investors buy shares of a company with the aim of generating a positive return. Stock Return is the rate of return received by an investor from shares traded in the capital market, which is calculated from the difference in the selling price of the shares. There are two returns in stocks, namely capital gains and dividends, capital gains are the positive difference between the selling price minus the purchase price of the stock or also known as the profit obtained from the difference between the selling price and the purchase price of the stock, while dividends are profits distributed to shareholders based on the results general meeting of shareholders (GMS). The financial manager as

agent of the shareholders is given the mandate to manage the company in order to produce good company performance. Good company performance will be able to create accounting profits and this profit will be distributed to shareholders as dividends based on the results of the general meeting of shareholders. According to signaling theory, good company performance will be a positive signal for investors that the company has good prospects in the future, this will attract investors to buy company shares, high demand for company shares will increase stock prices as well as price formation mechanisms. shares in the capital market. Increasing the stock price of a company means increasing stock returns, investors get stock returns, namely capital gains if they sell at a higher price than the purchase price of their shares.

Quoted from cnbcindonesia.com on September 10, 2020, it was observed that the financial sector index fell 5.74% and the infobank 15 banking index fell even more severely after sinking 5.93%, this was because many banks were corrected to reach the level of Auto Reject Below the eyebrows of ARB. CNBC Indonesia said that it was observed that 5 out of 6 large and liquid banking issuers on the IDX had dropped to near the ARV level of 7%. There was only one issuer that survived the ARB, namely the stock with the most jumbo market capitalization on the IDX, namely PT Bank Central Asia (BBCA), which despite surviving the ARB, was still severely corrected by 4.40% to a price level of Rp.29,850/share. Economic uncertainty in the pandemic era has caused stock prices to plummet in several sectors, including the banking sector. Lowering prices will cause stock returns to fall, so it is important for banking companies to maintain internal financial health in order to face external uncertainties such as the current pandemic condition.

Investors need to get information about the company's condition from the financial or non-financial side. In banking companies from the financial side, investors need to know the current and future prospects of the company by considering the existing risks. Bank health indicators are a reference to see bank performance that can be used as an assessment by investors. In accordance with Financial Services Authority Regulation number 4/POJK.03/2016 concerning Commercial Bank Soundness Rating (2016). Banks are required to assess the soundness of banks individually using a risk approach (Risk-Based Banking

Rating) with an assessment coverage of the RGEC factor (Risk Profile, Good Corporate Governance, Earnings, Capital). Good bank performance will attract investors to invest in the banking sector and in the end have a positive impact on stock returns, besides that bank health assessment is also important because banks manage public funds. Bank management is not only responsible to shareholders but also to the public who act as customers or depositors.

Quoted from merdeka.com on February 25, 2021, the Financial Services Authority (OJK) said that the financial performance of Islamic banking still showed a good growth trend compared to conventional banking, during the COVID-19 pandemic, the financing provided by Islamic banking still grew positively compared to conventional banking. it can be seen in conventional banking, for loans disbursed contracted around 2.4%. This pandemic condition is a challenge for conventional banks to improve their performance so that it has a positive impact on stock returns.

In carrying out its operations, banks are faced with risks and one of the risks faced by banks is systemic risk, namely inflation. Inflation is an external factor that can affect banking performance and ultimately affect bank stock returns. Throughout 2015 to 2019 inflation in Indonesia fluctuated, the highest inflation rate for the last five years occurred in 2017 with an inflation rate of 3.61%.

According to the Central Bureau of Statistics, inflation is a continuous upward trend in the prices of goods and services in general. If the price of goods and services in the country increases, then inflation will increase. It is suspected that rising inflation will cause people to tend to save and save their funds in banks. In addition, Bank Indonesia as a regulator can regulate interest rates so that inflation is controlled, an increase in interest rates can attract people to save their funds in banks. Interest rates are a conventional instrument to control or suppress the rate of growth of the inflation rate. High interest rates will encourage people to invest their funds in banks rather than investing them in the production sector or industrial sector, the risk is much greater than investing in banks, especially in the form of deposits (Laynita Sari, et al., 2021).

Assessment of banking performance can also be seen from the ability of banks to manage their funds to generate profits. Profits continue to increase or profit growth can be a positive signal for investors to invest in the company, namely by buying shares. Profit growth can be seen as a good trend for the

company's performance in the future. Banking must show positive profit growth because of its credibility as an institution that stores and distributes public funds.

From various previous studies that examined the effect of bank health indicators, external factors and earnings growth on stock returns, found inconsistent results. Research conducted by (Tahmat and Ida Margareta Nainggola, 2017) based on the results of associative analysis during the 2009-2018 period shows that the effect of bank soundness on stock returns in state-owned banks partially, only LDR (Loan to Deposit Ratio) has a significant effect on return stocks while NPL (Non Performing Loan), ROA (Return On Assets), NIM (Net Interest Margin) and CAR (Capital Adequacy Ratio) have no significant effect on stock returns. The results of another study, namely from (Hana Medyawicesar et al., 2018) concluded that NPL and return on assets (ROA) have a positive effect on stock prices, this shows that the risk profile is measured by NPL and earnings as measured by ROA have increased, the stock price will increase. increase. LDR has no effect on stock prices with a positive regression direction indicating that LDR has a unidirectional relationship with stock prices, Good Corporate Governance (GCG), Net interest margin (NIM), Capital Adequacy Ratio (CAR) has no effect on stock prices. (Payamta and Indri Astuti, 2018) examines the Effect of Bank Financial Performance Indicators and Systematic Risk on Banking Stock Returns on the Indonesia Stock Exchange, with the research period 2004-2009 finding that the banking health indicator factor is the ratio of fixed assets to capital tires (ATTM), asset ratios Non-performing productive (APB) has a positive and significant effect on stock returns, while PPAP-TAP, Loan to Deposit Ratio (LDR) has a positive and significant effect on stock returns, other bank health indicators such as Capital Adequacy Ratio (CAR), P-PPAP, Return On Assets (ROA), operational costs on operating income (BOPO) and leverage multiplier (LM) do not significantly affect stock returns, in this study it was found that risk factors, namely liquidity risk (I-RISK) and systematic risk (BETA) had a significant negative effect on stock returns, credit risk (KR) has a positive and significant effect on stock returns. Research conducted by (Laynita Sari, et al., 2021) found that the internal financial performance variables, namely CAR and the external variable Interest Rate, had a negative and significant effect on stock returns, while the NIM, LDR and BOPO variables did not significantly affect stock returns.

Based on the results of these studies do not always find the same results regarding the effect of bank health indicators, external factors and earnings growth on stock returns, so further research needs to be done as additional consideration.

From the description of the background of the problem above, the author determines the title of this research is "The Effect of Bank Health Indicators, External Factors and Profit Growth on Banking Stock Returns on the Indonesia Stock Exchange"

METHODS

Research Approach

This research is a type of causal associative research that aims to find the relationship between one variable and another variable, in this case to analyze how the influence of the independent variable on the dependent variable.

Population and Sample

The population used in this study were all banking companies listed on the Indonesia Stock Exchange during the 2016-2020 research period. The data used is secondary data in the form of annual reports and financial statements of banking companies that have been published from the IDX website (www.idx.co.id) and the company's website. The sample selection method is by using purposive sampling method. The following are the criteria used for the purposive sampling method in this study :

1. Banking companies that went public and listed on the Indonesia Stock Exchange from 2016 to 2020.
2. Publish financial reports on the official website of Bank Indonesia continuously from 2016 to 2020.
3. Not liquidated or delisted in the research year.
4. Have complete financial information according to the needs of research variables

Research Variables

Dependent Variables

The independent variable in this study is stock returns. Stock return is the

result obtained from investment by calculating the difference in stock prices for the current period with the previous period by ignoring dividends (Payamta and Indri Astuti, 2018) so the formula can be written :

$$Stock\ Returns = \frac{Share\ Price\ Period\ t - Share\ Price\ Period\ t - 1}{Share\ Price\ Period\ t - 1}$$

Independent Variables

1) Risk Profile

   Risk Profile (Risk Profile), inherent risk is the risk inherent in the bank's business activities, both calculable and non-calculated, which affects the financial position (Hermin Sirait, et al., 2020). Non-Performing Loans are several measuring tools of business risk factors for financial institutions that provide clues to the high risk of bad loans found in financial institutions.

2) Earning

   Earnings is a measurement of the health of financial institutions in terms of profitability. Earnings are calculated using the ratio of return on assets (ROA) and net interest margin (NIM) based on the Circular Letter of Bank Indonesia No.13/24/DPNP dated October 25, 2011. The ratio of Return on Assets (ROA) is the ratio of profit before tax to total assets . The higher the return on assets (ROA) value, the better the management performance in generating profits using the assets owned or in other words the management is able to manage assets effectively and efficiently in generating profits

   $$Return\ On\ Assets\ (ROA) = \frac{Earning\ Berfore\ Tax}{Total\ Assets}$$

   The Net Interest Margin (NIM) ratio is the ratio between net interest income and earning assets. A high Net Interest Margin (NIM) shows that banks are more effective in placing company assets in the form of credit, so that bank interest income increases (Hana Medyawicesar, et al., 2018). According to SE BI No. 13/24/DPNP dated October 25, 2011 the NIM standard set for banks in Indonesia is a minimum of 3%. Then the formula to calculate the Net Interest Margin (NIM) can be formulated as follows :

   $$NIM = \frac{Net\ Interest\ Income}{Average\ Produktive\ Assets} x100\%$$

3) Capital

Capital Adequacy Ratio (CAR) is a comparison of bank capital with weighted assets. Banks that are considered healthy are banks that have a Capital Adequacy Ratio (CAR) above 8%. Based on BI SE No.13/24/DPNP dated October 25, 2011, the assessment of the capital factor includes an assessment of the level of capital adequacy as well as an assessment of bank capital management. The capital factor can be measured using the Capital Adequacy Ratio (CAR) (Laynita Sari, et al., 2021). The formula for calculating the Capital Adequacy Ratio (CAR) is :

$$CAR = \frac{Capital}{Risk\ Weighted\ Assets}$$

4) Inflation

According to Fahmi (2012: 186): "Inflation is an event that describes the situation and condition where the price of goods has increased and the value of the currency has weakened, and if this happens continuously it will result in a worsening of economic conditions as a whole and be able to shake the order. political stability of a country". The occurrence of an increase in the price of goods that takes place in general, continuously, and systematically can result in a decrease in the value of a country's currency. If this happens, the purchasing power of the people will decrease due to soaring prices, this can also have an impact on people's interest in saving. According to (Noerirawan & Muid, 2012) and (Rachman, 2016) the formula for calculating :

$$INFn = \frac{IHKn - IHKn - 1}{IHKn - 1}$$

IHKn : consumer price index

Data Analysis Methods

The data analysis method used in this study uses multiple regression analysis models (multiple regression). The level of confidence in this study is 95% or a significance level of 5% ($\alpha = 5\%$). Analysis of the data in this study using software eviews 12. The steps of the statistical method were descriptive statistics, normality test, multicollinearity test, autocorrelation test, heteroscedasticity test, multiple linear regression analysis, hypothesis testing and drawing conclusions.

RESULTS AND DISCUSSION

Descriptive Statistics

Table 1. Descriptive Statistics

Date: 08/11/22   Time: 16:09
Sample: 2016 2021

	RETURN	NPL	ROA	NIM	CAR	INFN	BUNGA	GROWTH
Mean	0.215358	0.028296	0.016579	0.054988	0.220183	0.026717	0.045417	-0.690097
Median	0.010909	0.027800	0.017150	0.050250	0.216050	0.028700	0.045000	0.134106
Maximum	8.759036	0.088000	0.042200	0.120000	0.417300	0.036100	0.060000	16.55361
Minimum	-0.735962	0.000000	-0.074700	0.030400	0.125800	0.016800	0.035000	-74.29051
Std. Dev.	0.993318	0.015419	0.016071	0.017631	0.044600	0.006916	0.008388	8.316449
Skewness	6.939376	1.153933	-2.395646	1.538953	1.314397	-0.268950	0.446325	-7.573549
Kurtosis	58.82490	5.459270	14.58845	5.805010	6.714713	1.646806	2.113625	66.56048
Jarque-Bera	13236.16	45.49701	628.9947	69.36632	82.83861	8.481882	6.329943	17077.48
Probability	0.000000	0.000000	0.000000	0.000000	0.000000	0.014394	0.042215	0.000000
Sum	20.67436	2.716400	1.591600	5.278800	21.13760	2.564800	4.360000	-66.24935
Sum Sq. Dev.	93.73470	0.022586	0.024537	0.029531	0.188967	0.004544	0.006683	6570.515
Observations	96	96	96	96	96	96	96	96

Source: Processed Data Results Eviews 12

Based on the results of the descriptive statistical analysis test in table 1, it shows that the number of research samples (observations) is 96. This number is the total sample of banking companies for 6 years during observations in the study from 2016 to 2021 where every year there are 16 banking companies. the research sample. The explanation of each research variable based on table 1 is as follows :

1) Return

   Stock return variable / Return (Y) as the dependent variable has an average value (mean) of 0.215358, a maximum value of 8.759036, a minimum value of -0.735962, a standard deviation of 0.993318.

2) Non Performing Loan (NPL)

   The non-performing loan (NPL) variable as a proxy for bank health indicators has an average value (mean) of 0.028296, a maximum value of 0.088000, a minimum value of 0.000000, a standard deviation value of 0.015419.

3) Return On Asset (ROA)

   The return on assets (ROA) variable as a proxy for bank health indicators has an average value (mean) of 0.016579, a maximum value of 0.042200, a minimum value of -0.074700, a standard deviation value of 0.016071.

4) Net Interest Margin (NIM)

   The variable net interest margin (NIM) as a proxy for bank health indicators has an average value (mean) of 0.054988, a maximum value of 0.120000, a minimum value of 0.030400, a standard deviation value of 0.017631.

5) Capital Adequency Ratio (CAR)

   The variable capital adequacy ratio (CAR) as a proxy for bank health indicators has an average value (mean) of 0.220183, the maximum value is 0.417300, the minimum value is 0.125800, the standard deviation value is 0.044600.

6) Inflation

   Inflation variable (INFN) as a proxy for macroeconomic factors has an average value (mean) of 0.026717, a maximum value of 0.036100, a minimum value of 0.016800, a standard deviation value of 0.006916.
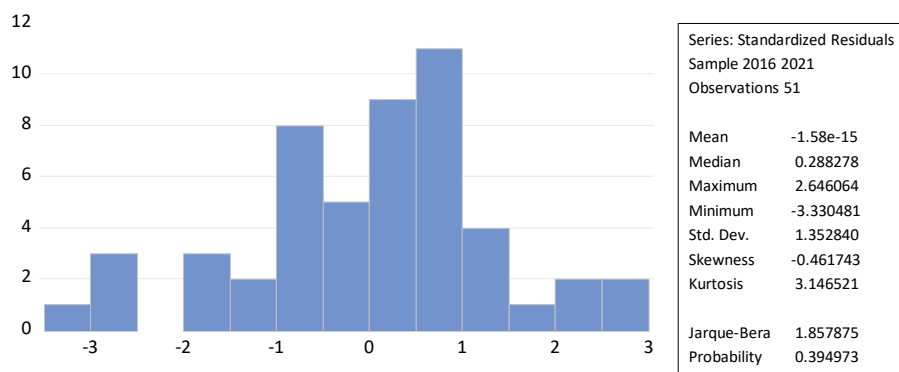
7) BI Rate (Bunga)

   The variable BI Rate (INTEREST) as a proxy for macroeconomic factors has an average value (mean) of 0.045417, a maximum value of 0.060000, a minimum value of 0.035000, a standard deviation value of 0.008388.

8) Pertumbuhan Laba (GROWTH)

   Profit growth variable (GROWTH) has an average value (mean) of -0.690097, a maximum value of 16.55361, a minimum value of -7429051, a standard deviation of 8.316449.

Normality Test

Table 2. Normality Test

Series: Standardized Residuals	
Sample 2016 2021	
Observations 51	
Mean	-1.58e-15
Median	0.288278
Maximum	2.646064
Minimum	-3.330481
Std. Dev.	1.352840
Skewness	-0.461743
Kurtosis	3.146521
Jarque-Bera	1.857875
Probability	0.394973

Source: Processed Data Results Eviews 12

Based on the results in table 2 shows that the probability value is 0.394973 > (0.05) which means H_0 is rejected and H_1 is accepted so that the data is normally distributed.

Autocorrelation Test

Table 3. Autocorrelation Test Results

Breusch-Godfrey Serial Correlation LM Test:
Null hypothesis: No serial correlation at up to 2 lags

F-statistic	1.413326	Prob. F(2,86)	0.2489
Obs*R-squared	3.054923	Prob. Chi-Square(2)	0.2171

Source: Processed Data Results Eviews 12

In table 3 it can be seen that the value of Prob. Chi-Square (which is Obs*R-square) is 0.2171 > 0.05 then there is no autocorrelation problem.

Multicollinearity Test

Table 4. Multicollinearity Test Results

	NPL	ROA	NIM	CAR	INFN	BUNGA	GROWTH
NPL	1.000000	-0.614039	-0.198682	-0.418207	-0.068105	-0.060481	-0.382196
ROA	-0.614039	1.000000	0.453012	0.279549	0.068609	0.138284	0.662368
NIM	-0.198682	0.453012	1.000000	0.132098	0.254320	0.173325	0.161245
CAR	-0.418207	0.279549	0.132098	1.000000	-0.349973	-0.319888	0.227027
INFN	-0.068105	0.068609	0.254320	-0.349973	1.000000	0.612462	-0.185173
BUNGA	-0.060481	0.138284	0.173325	-0.319888	0.612462	1.000000	-0.010051
GRO...	-0.382196	0.662368	0.161245	0.227027	-0.185173	-0.010051	1.000000

Source: Processed Data Results Eviews 12

Multicollinearity test of Output Correlation can be seen that the correlation value between independent variables is less than 0.8. This shows that there is no multicollinearity because the relationship between variables is very weak or less than 0.8.

Heteroscedasticity Test

Table 5. Heteroscedasticity Test Results

Heteroskedasticity Test: White
Null hypothesis: Homoskedasticity

F-statistic	1.202840	Prob. F(35,15)	0.3614
Obs*R-squared	37.60231	Prob. Chi-Square(35)	0.3509
Scaled explained SS	28.68906	Prob. Chi-Square(35)	0.7655

Source: Processed Data Results Eviews 12

Based on table 5 above, the value of Prob. Chi-Square (which is Obs*R-square) is 0.3509 > 0.05 then there is no heteroscedasticity problem.

Panel Data Regression Test

Table 6. Panel Data Regression Test Results

Dependent Variable: RETURN
Method: Panel Least Squares
Date: 08/11/22   Time: 18:58
Sample: 2016 2021
Periods included: 6
Cross-sections included: 16
Total panel (balanced) observations: 96

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-3.517074	1.004394	-3.501686	0.0007
NPL	16.63438	7.939334	2.095185	0.0390
ROA	-6.173063	9.770347	-0.631816	0.5291
NIM	-7.499030	5.999444	-1.249954	0.2146
CAR	14.24263	2.480234	5.742455	0.0000
INFN	45.98923	17.89903	2.569370	0.0119
BUNGA	-12.66112	13.70063	-0.924126	0.3579
GROWTH	0.019125	0.015104	1.266154	0.2088

Source: Processed Data Results Eviews 12

Based on table 6, the results of the panel data regression test obtained the regression model equation between the dependent variable, namely stock returns and the independent variables, namely non-performing loans (NPL), return on assets (ROA), net interest margin (NIM), capital adequacy ratio (CAR), inflation rate (INFN), interest rate/BI Rate (INTEREST) and profit growth (GROWTH) as follows :

RETURN = -3.517074 + 16.53438NPL − 6.173063ROA − 7.499030NIM + 14.24263CAR + 45.98923INFN − 12.66112BUNGA + 0.019125GROWTH

Hypothesis Test Results

Table 7. Partial Test Results (T Test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-3.517074	1.004394	-3.501686	0.0007
NPL	16.63438	7.939334	2.095185	0.0390
ROA	-6.173063	9.770347	-0.631816	0.5291
NIM	-7.499030	5.999444	-1.249954	0.2146
CAR	14.24263	2.480234	5.742455	0.0000
INFN	45.98923	17.89903	2.569370	0.0119
BUNGA	-12.66112	13.70063	-0.924126	0.3579
GROWTH	0.019125	0.015104	1.266154	0.2088

Source: Processed Data Results Eviews 12

1) Effect of Non Performing Loan (NPL) on Stock Return.

   The results of the hypothesis test (t test) in table 4.16 show the NPL probability value of 0.0390, the probability is smaller than the 5% significance level (0.0390 < 0.05), this result accepts the H_1 hypothesis and rejects H_0. The NPL regression coefficient is positive at 16.53438, the positive regression coefficient value indicates a unidirectional relationship between NPL and stock returns. So it can be concluded that non-performing loans (NPL) have a positive and significant effect on stock returns. An increase in the NPL ratio will increase stock returns significantly and vice versa if the NPL ratio decreases, the stock returns will decrease significantly. The results of this study are supported by research (Medyawicesar, Tarmedi, & Purnamasari, 2018) which found that NPL had a positive effect on stock prices. On the other hand, the results of this study are not in line with research (Tahmat & Nainggolan, 2020) which found that NPL had no significant effect on stock returns. NPL is the ratio of non-performing loans to total loans, the higher the NPL ratio indicates the increasing risk of the company, in high risk investment reflects high return expectations because risk is directly proportional to the level of profit. The results of this study are in line with the signaling theory, which indicates that investors catch a positive signal from the increasing risk of the company so that it responds by increasing investor interest in the company's shares. High stock demand will increase stock prices on the stock exchange and increase the company's stock returns.

2) The Effect of Return On Assets (ROA) on Stock Return.

   Hypothesis testing (t test) shows that the hypothesis H_2 is rejected and H_0 is accepted, this can be seen from the probability value of ROA of 0.5291 which is greater than 5% significance (0.5291 > 0.05). So it can be concluded that ROA has no significant effect on stock returns. Although it is not significant ROA has an opposite relationship with stock returns because the regression coefficient of ROA is negative at -6.173063. This result is supported by research (Tahmat & Nainggolan, 2020) and (Payamta & Astuti, 2018) which found that ROA did not significantly affect stock returns but had a negative or not in line with stock returns. Increasing return on assets is not considered a positive signal by investors so that it does not significantly affect the

company's stock price. This condition illustrates that the company's ability to earn profits, and the ability to control all operational and non-operational costs is very low so it has little effect on stock prices (Payamta & Astuti, 2018). When viewed from the results of descriptive statistics, the average ROA ratio in banking companies is only 0.016579 or 1.66%.

3) Effect of Net Interest Margin (NIM) on Stock Return.

The results of hypothesis testing indicate that the NIM variable has a probability value of 0.2146, a probability greater than 5% significance (0.2146 > 0.05), this result rejects the H_3 hypothesis and accepts H_0. So it can be concluded that NIM does not significantly affect stock returns. The NIM regression coefficient is negative at -7.499030, this indicates that there is an opposite relationship between the NIM variable and stock returns. The results of this study are in line with research (Sari, Mary, Elfiswandi, Zefriyenni, & Lusiana, 2021) and (Tahmat & Nainggolan, 2020) which found that NIM had no significant effect on stock returns. In this research, the average NIM of the company is only 0.054988 or 5.49%, slightly above the standard of banks in Indonesia, which is at least 3%. Bank health indicators proxied by NIM have not been able to provide a positive signal to investors so that they do not have a significant impact on stock returns.

4) Effect of Capital Adequacy Ratio (CAR) on Stock Return.

Hypothesis testing (t test) on the CAR variance shows a probability value of 0.0000 less than 0.05, then the hypothesis H_4 is accepted and H_0 is rejected. The CAR regression coefficient is positive at 14.24263, which means that the relationship between CAR and stock returns is unidirectional. So it can be concluded that the capital adequacy ratio (CAR) has a positive and significant effect on stock returns. An increase in the CAR ratio will significantly increase stock returns and vice versa, a decrease in the CAR ratio will have an impact on a significant decrease in stock returns. The results of this study are in line with research (Sari, Mary, Elfiswandi, Zefriyenni, & Lusiana, 2021) which found that CAR had a significant effect on stock returns. On the other hand, the results of this study are different from research (Tahmat & Nainggolan, 2020), (Payamta & Astuti, 2018) which actually found that CAR did not significantly affect stock returns. According to (Tahmat & Nainggolan,

2020) CAR does not significantly affect stock returns because the CAR (Capital Adequacy Ratio) is too high so that the use of capital for profit is not optimal. The average CAR of banking companies in this study is 0.220183 or 22.02% of the CAR figure above the minimum 8% set by BI. The CAR ratio of banking companies in this study is very good so that it is able to give a positive signal to investors, a high CAR shows the bank has sufficient capital to run its operations so that investors believe the bank is able to provide good performance, a positive investor response will have an impact on increasing stock sales so that the stock price increases and in the end will increase stock returns.

5) Effect of Inflation on Stock Return.

In the hypothesis test (t test) the inflation variable has a probability value of 0.0119 which is smaller than the 5% significance level (0.0119 <0.05), then the H_5 hypothesis is successfully accepted and H is rejected. The inflation regression coefficient is positive at 45.98923, which means that there is a unidirectional relationship between the inflation variable and stock returns. So it can be concluded that inflation has a positive and significant effect on stock returns. An increase in inflation will increase stock returns significantly and vice versa, a decrease in inflation will affect a decrease in stock returns. The results of this study are in line with (Geriadi & Wiksuana, 2017) who found that inflation has a significant effect on stock returns. The results of the study are not in line (Suriyani & Sudiartha, 2018) stating that inflation has no significant effect on stock returns. An increase in inflation will reduce the value of money, so investors need to hedge their money so that it does not decrease in value due to increased inflation, one way to protect the value of money is investing in stocks. The increase in inflation will motivate investors to invest their money in the shares of banking companies, the increasing demand for shares will cause stock prices to rise and this will increase the stock returns of banking companies.

6) Effect of BI Rate on Stock Return.

The probability value of the BI rate or interest rate of 0.3579 is greater than 0.05 and the regression coefficient is negative at -12.66112. These results reject the hypothesis H_6 and accept H_0. Variable interest rate or BI rate does not significantly affect stock returns. However, a negative regression

coefficient value indicates an opposite relationship between the BI Rate variable and stock returns. The results of this study are in line with research (Suriyani & Sudiartha, 2018) which found that interest rates did not significantly affect stock returns. On the other hand, the research results are not supported by (Sari, Mary, Elfiswandi, Zefriyenni, & Lusiana, 2021) who actually find that the BI rate has a significant effect on stock returns. The external factor, namely the interest rate in this study, is not a signal that investors need to consider in making investment decisions, this is because investors' expectations for stock investments are returns from capital gains and dividends so that changes in interest rates do not affect investors' investment decisions. The results of this study indicate that interest rates do not have a significant impact on stock returns of banking companies.

7) Effect of Profit on Stock Return.

In the hypothesis test (t test) showing the probability value of profit growth (GROWTH) of 0.2088 is greater than 0.05, the hypothesis H_7 is rejected and H_0 is accepted. Profit growth has no significant effect on stock returns. Although it does not significantly affect stock returns, profit growth has a unidirectional relationship with stock returns, this is indicated by the positive regression coefficient value of 0.019125. An increase in profit growth will increase stock returns, although not significantly, and vice versa. In this study, profit growth has not been able to become a strong positive signal for investors so that it does not have a significant impact on stock returns, but even though it is not significant, profit growth has a positive relationship or is in line with stock returns, meaning that profit growth will increase stock returns even though it is not significant.

CONCLUSION

Conclusions

Based on the results of the analysis, it can be concluded that non-performing loans (NPL) have a positive and significant effect on stock returns, return on assets (ROA) does not significantly affect stock returns, net interest margin (NIM) does not significantly affect stock returns, capital adequacy ratio (CAR)) has a positive and significant effect on stock returns, inflation has a positive and

significant effect on stock returns, the BI Rate has no significant effect on stock returns and profit growth has no significant effect on stock returns.

Suggestions

Based on the results of the study, the authors provide the following suggestions:

1. For Companies

   The results show that non-performing loans (NPL) have a significant positive effect on stock returns, which means that increasing credit risk will increase stock returns, but companies must also pay attention to capital adequacy because the capital adequacy ratio (CAR) has a positive and significant effect on stock returns. Increasing credit risk must be accompanied by an increase in capital adequacy so that stock returns can be maximized with controlled risk.

2. For Prospective Investors

   Investors need to pay attention to the company's capital adequacy before investing in banking companies, because the results of this study show that the capital adequacy ratio (CAR) has a significant positive effect on stock returns.

3. For further researchers

   a. Further researchers are expected to be able to examine the sector of other banking companies such as Islamic banking.

   b. Future researchers are expected to be able to add other independent variables that might affect stock returns, including capital structure, market risk, dividend policy and others.

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