ANALYSIS OF THE INFLUENCE OF RGEC, BI RATE, AND INFLATION ON STOCK RETURN

Venni Avionita1*, Afifa Nurhanifah2, Fitri3, Neneng Anis Nurhasanah4
Universitas Singaperbangsa Karawang1,2, STIE Dr Khez Muttaqie3,4
Correspondent Author : venni.avionita@fe.unsika.ac.id

ABSTRACT

This study analyzes the effect of Bank Soundness level (RGEC), BI Rate, and Inflation on banking stock returns listed on the Indonesia Stock Exchange. The type of research conducted is quantitative research, with multiple regression models and panel data from the annual reports of 23 public banking companies in the 2016-2020 period. The soundness level of the bank in this study consists of four groups: Risk Profile, which is measured by NPL; Good Corporate Governance, which is measured by KI; Earning, which is measured by NIM; and Capital, which is measured by CAR. In addition, BI Rate and Inflation are external factors in this study. This study shows that NIM, CAR, and inflation influence stock returns. However, this study also shows that NPL, KI, and BI Rates do not affect stock returns. This study provides an overview of the effects of bank health on stock returns. In addition, this research provides an overview for investors to consider the level of BI Rate and Inflation before deciding to invest in stocks in the banking sector.

Keywords: Stock Return, Risk Profile, Good Corporate Governance, Earnings, Capital, BI Rate, Inflation

INTRODUCTION

Banks are intermediary institutions that play an important role in a country’s economic movement. The amount of funding from third parties shows the public’s trust in banks (Soni et al., 2022). The banking sector is one of the sectors that investors are most interested in (Indiani and Dewi, 2016) because the banking sector is the sector that has the most optimal performance. This can be seen in table 1.1 which shows the movement of the banking and financial sector stock indices from 2016 to 2020.

Table 1
Growth and development of banking and financial stock price indices

<table>
<thead>
<tr>
<th>Year</th>
<th>Year End Closing</th>
<th>Percentage Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>811,893</td>
<td>18.17%</td>
</tr>
<tr>
<td>2017</td>
<td>1,140,837</td>
<td>40.52%</td>
</tr>
<tr>
<td>2018</td>
<td>1,175,670</td>
<td>3.05%</td>
</tr>
<tr>
<td>2019</td>
<td>1,354,661</td>
<td>15.22%</td>
</tr>
<tr>
<td>2020</td>
<td>1,333,176</td>
<td>-1.59%</td>
</tr>
</tbody>
</table>
Table 1 shows that from year to year, the banking stock index has continued to increase, even though in 2020 the banking stock index has decreased by -1.59%. This was due to the novel coronavirus (Covid-19), which caused all stock price indices in all sectors to decline. However, despite this decline, banking sector shares are still consistent in paying dividends, for example, Bank BCA, which in 2020 will pay out a dividend of Rp. 455/share. This proves that stocks in the banking sector have optimal performance and still prioritize the interests of investors, namely the distribution of dividends. In Jogiyanto’s (2017) study, the movement of ups and downs in stock prices affects stock returns. So, if the stock price index provides a positive movement, then the possibility of stock returns obtained by investors will also increase.

Stock returns are the returns investors expect from stock investments. Every investor expects a level of profit that can be obtained from their investment; thus, when choosing an investment, they tend to choose companies that have good performance (Tahmat and Nainggolan, 2020). In his research, he stated that if banking companies issue shares with good performance conditions, stock prices will tend to increase, so they are expected to provide returns that are in accordance with what investors expect. Stock returns can be positive or negative. Graph 1 shows the movement of banking stock returns for the period 2016 to 2020.
Judging from the graph above, based on the data obtained, which were then processed by researchers, the rate of return on banking stocks for the 2016-2020 period, shows that several companies experienced significant fluctuations in stock returns. For example, Bank Jago, with the stock code Arto, experienced an increase in stock returns of 15.64 in 2019 and 8.23 in 2020, quite a high increase when compared to other banks. This occurred because institutional ownership increased after PT. Karya Anak Bangsa or Goto bought 2.9 billion shares of Bank Jago or the equivalent of 21.4%. The existence of a significant difference in the level of stock returns will make investors more careful to invest their capital.

Based on BI Circular Letter No.13/24/DPNP dated October 25, 2011, and PBI No.13/1/PBI/2011 dated January 5, 2011, concerning the Assessment of Commercial Bank Soundness Level, determining the soundness level of a bank uses four groups of factors, namely Risk Profile, Good Corporate Governance, Earnings, and Capital, better known by the acronym RGEC. The Bank Indonesia regulation has been effective since January 1, 2012. The soundness level of a bank reflects the performance of the banking industry.
Apart from internal factors, namely the health of the bank, the performance of banking sector companies is also inseparable from the external factors of banking companies, namely Inflation and Interest Rates (Bank Indonesia's Interest Rate). The monetary policy is strongly influenced by the determination of the ideal interest rate to create a balance between the benefits of interest rates for the banking sector and the business world. According to Kurniasari et al. (2018), inflation and Bank Indonesia interest rates are macroeconomic factors that often receive attention from capital market enthusiasts because they have a direct relationship with stock returns.

Based on these factors, the framework of this study is as follows:

**Figure 1. Framework**

Based on this background and framework, this study intends to find out that stock returns may be influenced by a company's internal performance, such as the health of the bank, as well as external factors such as inflation and interest rates. This study uses RGEC as the main factor group for the health of the bank, namely, risk profile as measured using NPL, Good Corporate Governance using institutional ownership, earnings, or income as reflected in bank
profitability using Net Interest Margin, and Capital or funding using CAR. In addition, this study attempts to test this by adding external factors using inflation and BI interest rates.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Stock Return

Investors’ motivation to invest is expected to be profitable in the future. The expectation of this return is compensation for the time and risk associated with the investment. Stocks are assets; they are not just paper or numbers displayed on a computer monitor. Each share represents the assets of the company that issued the shares (Hidayat, 2020). Stock returns are defined as something that an investor is interested in, namely, in the form of profit from the investment that has been made. Stock returns are divided into two, namely realized returns and expected returns, or known as expected returns (Novianti, 2017).

Signaling Theory

Signaling Theory was first introduced by Spence in his research entitled Job Market Signaling. Signal theory describes an action taken by company management to assess future prospects and provide instructions to investors to take action (Brigham and Houston, 2017). Signal theory will influence investors, which greatly affects market conditions, and investors will respond to incoming signals by waiting and seeing available developments and then deciding on an action.

Efficient Market Theory

Efficient market theory was first formulated by Paul Samuelson and Eugene Fama in the 1960s. Octavianus (2021) states that the efficient market theory states that prices are formed in an efficient market and reflect all available relevant information (stock prices reflect all
available information). Efficient market theory explains that the price of an asset that is formed, such as stocks, will reflect all fundamental complete, accurate, and fast information and insider information (Patricia, Hayati, and Wahyudi, 2021).

**Bank Health Theory (RGEC)**

Bank Indonesia is taking strategic steps to encourage the implementation of bank risk management, as stipulated in the Bank Indonesia Regulation no. 13/1/PBI/2011 concerning the Assessment of the Soundness Level of Commercial Banks with Risk Profile, Good Corporate Governance (GCG), Earnings, and Capital, hereinafter referred to as the RGEC method. Bank health is necessary to restore public confidence, determine the credibility of a bank, and is an indicator of banking management performance (Fordian, 2018). Investors also use information about the soundness of the Bank as a basis for making investment decisions.

**Hypothesis**

In terms of bank health, the first factor in the RGEC is the bank’s risk profile. NPL can be used as a measure of the health of the bank in terms of risk profile; NPL is credit that is classified into substandard, doubtful, and loss collectibility (Silalahi and Khairunisa, 2020). Bank Indonesia sets the maximum NPL value at 5%, but if the NPL ratio is above 5%, the bank is considered to have a high credit risk. The industry-averaged NPL ratio from 2016 to 2020 is 1.88%, which is below 5%, indicating that bank credit is in good health. If bank credit is in good health, it indicates that the bank's risk profile is also in good health. Therefore, if the risk profile is healthy, the stock returns that will be obtained will also be better.

The relationship between NPL and signal theory is that a company with a low NPL will show good health and performance, as well as the company's ability to generate profits. If a bank has a low NPL, it will reduce costs, including the cost of backing up earning assets. A
healthy bank will definitely give a positive signal to investors, increasing demand for their shares and causing stock prices to rise, which, of course, will affect stock returns. This is supported by Indiani and Dewi (2016) and Cuandra and Merina (2021), who state that NPL has an effect on stock returns. Based on this description, the authors draw the following hypothesis:

**H₁: NPL of a Bank Significantly Influence its Stock Returns in Indonesia**

The second factor for bank health based on RGEC is good corporate governance, which is the principle applied by companies to maximize corporate value, improve company performance and contribution, and maintain corporate sustainability. Many issuers on the IDX compete to improve and maintain their GCG in order to maintain investor confidence in their company. In this study, GCG was measured using institutional ownership. Companies with a large proportion of institutional ownership have better oversight. Raharjo (2016) also stated that the higher the level of institutional ownership, the stronger the level of supervision and control carried out by external parties to suppress the opportunistic behavior of company management and directors. Institutional ownership generally acts as a company monitor, so that investor confidence in the company will increase, institutional share ownership adds to company value which has an impact on increasing stock returns (Pratiwi, 2016)

The relationship between institutional ownership and signaling theory is that the greater the institutional ownership, the greater the power of voice and encouragement from the institution to oversee the management. As a result, it will provide a greater impetus to optimize the value of the company so that the company's performance will increase. This will give a positive signal to investors, making the demand for shares high, so that high demand for shares will cause stock returns to increase. This is supported by the research of Salipadang and Jao (2017) and the research of Hirawan and Hasanah (2020) finding empirical evidence that
institutional ownership has a positive effect on stock returns. Based on this description, the authors draw the following hypothesis:

**H2: Institutional Ownership of a Bank Significantly Influence its Stock Returns in Indonesia.**

The third factor in the RGEC as banking health is earnings. Earnings or profit is a company's profit; in other words, profit is the value of the company's net profit. The earnings factor can be described using profitability, which is measured by the net interest margin (NIM). NIM is loan interest income minus deposit interest costs to outstanding credit ratio, which shows a bank’s ability to earn operating income. The higher the bank's income, the investors assess the better the performance and health of the banking system, and the higher the stock returns received by investors (Dewi, 2019). The standard applied by Bank Indonesia for the NIM ratio is 6% and above, while the industry average NIM from 2016-2020 is 4.79%, this is below the standard applied by BI due to a decrease in loan interest income in 2020.

The relationship between NIM and signal theory is that high NIM indicates that banks are more effective in placing company assets in the form of credit, thereby increasing bank interest income. This information makes investors interested in banking stocks and has an impact on increasing share prices. This is supported by research by Indiani and Dewi (2016), who state that NIM has an effect on stock returns. Based on this description, the authors draw the following hypothesis:

**H3: NIM of a Bank Significantly Influence its Stock Returns in Indonesia.**

The fourth factor in RGEC is capital. The banking industry is closely related to risk: the higher the bank’s risk, the greater the capital or capital that must be provided to anticipate this risk. Capital Adequacy Ratio (CAR) is the ratio used by researchers to measure the capital
aspect of a bank’s soundness. In the Bank Indonesia Regulations (PBI), the standard CAR ratio is 15% and above, while the industry average CAR ratio for 2016-2020 is 22.46%, which is far above the average. This means that the existing capital adequacy is not only able to absorb potential losses from credit risk, market, and operational risk, but also other risks, such as liquidity risk and other material risks. Banking companies with high capital, avoiding liquidation, and being able to generate profits provide a sense of security for investors, thus increasing company value as reflected in stock price movements and increased stock returns (Indiani and Dewi, 2016).

The relationship between CAR and signal theory is that information about banking companies with high capital, avoiding liquidation, and being able to generate profits is good news for investors. This can provide guarantees for investors in the form of a sense of security in investing and still earning profits, thereby increasing the value of the company's shares, which is reflected by the increase in its share price. Of course, stock prices that have increased will increase the stock returns that investors receive. This is also supported by Chairani and Dillak (2018) and Cuandra and Merina (2021), who state that CAR affects stock returns. Based on this description, the authors draw the following hypothesis:

**H₄: CAR of a Bank Significantly Influence its Stock Returns in Indonesia**

The BI interest rate is the basic reference for the interest rates set by Bank Indonesia. The BI interest rate is a policy interest rate that reflects the attitudes or policies set by Bank Indonesia and is published to the public. Bank Indonesia’s interest rate setting aims to stimulate banks to follow its monetary policies. The relationship between the BI Rate and signal theory is that changes in the BI interest rate have an impact on the financial and capital markets. An increase in the BI interest rate can reduce a company's profitability. Thus, it affects the stock return of
the company concerned and affects the stock returns that investors will receive. This is supported by Kurniasari and Wiratno (2018), Zakiyah (2019), and Bagaswara and Wati (2020), who state that the BI Rate has an effect on stock returns. Based on this description, the authors draw the following hypothesis:

**H₅: The BI Rate of a Bank Significantly Influence its Stock Returns in Indonesia**

Inflation is a process of increasing prices in general and continuously, and is related to market mechanisms caused by various factors, such as rising levels of public consumption, uneven distribution of goods, or speculation. The relationship between inflation and signal theory is when there is high inflation, which causes a decrease in the purchasing power of money. If the purchasing power of money decreases, the real income of the community, including investors, also decreases; thus, investors’ desire to invest will also decrease. This causes stock prices to decrease. If the stock price decreases, the stock returns received by investors also decrease. The results of the research that strengthens the theory above are Chasanah’s research (2018), Zakiyah (2019), and Khairiyah and Agustin (2021), which show that inflation affects stock returns. Based on this description, the authors draw the following hypothesis:

**H₆: Inflation Significantly Influence its Stock Returns in Indonesia.**

**RESEARCH METHOD**

This type of research is quantitative in nature. Data testing was performed through multiple linear regression analysis using the e-view application. The data analysis method that will be used in this research is panel data regression, which aims to measure and test the effect of the independent variables, namely RGEC which consists of Non-Performing Loans (NPL), Institutional Ownership (KI), Net Interest Margin (NIM), Capital Adequacy Ratio (CAR) as
well as external factors, namely the BI Rate and Inflation on the dependent variable, namely Stock Returns.

Secondary data were used in this study. The population in this study is 23 banking companies listed on the Indonesian Stock Exchange (IDX) in 2016-2020 or five years. The sample used in this study namely:

1. A company that publishes audited financial reports and has complete data according to the research variables for the 2016-2020 period;
2. Is a banking company listed on the Indonesia Stock Exchange and has never been delisted during the 2016-2020 period

There are 23 banking companies listed on the Indonesian Stock Exchange (IDX) for 2016-2020 or five years; thus, N = 115. So the sample companies in this study are: Bank Jago; Bank MNC International; Bank Capital Indonesia; Bank Central Asia; Allo Bank Indonesia; Bank Bukopin; Bank Negara Indonesia; Bank Rakyat Indonesia; Bank Tabungan Negara; Bank Neo Commerce; Bank Danamon; Bank Jawa Barat; Bank Jawa Timur; Bank QNB Indonesia; Bank Mandiri; Bank Bumi Artha; Bank CIMB Niaga; Bank Maybank Indonesia; Bank Permata; Bank Artha Graha Internasional; Bank China Constr.; Bank Mega; Bank Panin Indonesia.

The data collection method used in this study was the documentation method. The documentation method involves collecting and studying company data needed in research in the form of records, reports, and forms related to the object of research. Secondary data sources can be obtained from the website www.idx.co.id which is then downloaded from the official website of the Indonesia Stock Exchange www.idx.co.id, namely in the form of annual financial reports during the research period, namely 2016-2020, Banking Publication Reports for the 2016 period -2020 obtained from the OJK website which is then downloaded from the website www.ojk.go.id, data on Bank Indonesia Interest Rates or the BI Rate obtained from the BPS
website which is then downloaded from www.bps.go.id, inflation data obtained from the Bank Indonesia website which is then downloaded from www.bi.go.id, and stock return data obtained from the RTI Business website www.rti.co.id.

Three models were used to test the regression analysis: the common effect, fixed effect, and random effect models. To determine the capital that is suitable for interpretation, two stages of testing are carried out: the Chow Test and the Hausman Test. In the testing model in this study, using the Chow test to determine which model is best, whether the common effect or fixed effect, we then carry out the Hausman test to determine the use of the fixed effect or random effect model. Goodness of Fit test to see whether the independent variable in this model can explain the variation in the dependent variable. T-test (individual) was conducted to see whether each independent variable has an effect on the dependent variable.

**Variable Measurement**

**Stock Return**

Stock return is defined as something that an investor is interested in, namely in the form of profit on the investment that has been made. Stock returns are divided into two, namely realized returns and expected returns, or known as expected returns (Novianti, 2017). According to Pandaya (2020) stock returns can be calculated using the following formula:

\[
R = \frac{P_t - P_{t-1}}{P_{t-1}}
\]

**Non-Performing Loan (NPL)**

Carolina and Madyan (2015) define NPL as an event in which there is a payment delay by the borrower or debtor. A high NPL indicates that the bank's bad loans are high, which means that the bank is in an unhealthy state. In this study the authors use the NPL which is calculated using the formula:
In this study, we use institutional share ownership as a variable to measure Good Corporate Governance. According to Pasaribu and Sulasmiyati (2016), institutional ownership is the percentage of share ownership of institutions. Institutional ownership can be used to reduce conflicts of interest within a company. According to Raharjo (2016) institutional ownership can be calculated using the following formula:

\[
KI = \frac{Number\ of\ shared\ owned\ by\ institution}{Number\ of\ shares\ outstanding} \times 100\%
\]

**Net Interest Margin (NIM)**

According to Taswan (2016), the Net Interest Margin is a comparison between net interest income and average earnings assets. This ratio indicates a bank’s ability to generate net interest income by placing earnings assets. According to Harahap and Hairunnisah (2017) the Net Interest Margin (NIM) formula is as follows:

\[
NIM = \frac{Interest\ Income}{Productive\ Assets} \times 100\%
\]

**Capital Adequacy Ratio (CAR)**

CAR is the ratio used to determine a company’s level of capital adequacy (Setyarini, 2017). CAR is also defined as the ratio that shows the extent to which a company can provide funds to face possible risks. According to Bank Indonesia Circular Letter Number 3/30/DPNP/2001 that the Capital Adequacy Ratio (CAR) is formulated as follows:

\[
Capital\ Adequacy\ Ratio = \frac{Total\ Capital}{ATMR} \times 100\%
\]

**BI Rate**
According to Ismail (2018), interest can be interpreted as the price that must be paid by the bank/customer as remuneration for transactions between banks and customers. The Indonesian Interest Rate (SBI) is the rate of payment on a loan or other investment above the repayment agreement, expressed as a percentage determined by Bank Indonesia by issuing Bank Indonesia Certificates (SBI). According to Sulasmiai and Ginting (2016), if interest rates rise or are high, then this is a bad signal for stock prices because stock prices will fall with high interest rates. If interest rates are low, stock prices will increase; in this case, interest rates will greatly affect stock prices, resulting in a return on the stock itself. Interest Rate data or BI Rate is obtained from the official website of the Central Statistics Agency (BPS).

**Inflation**

According to Hasyim (2017), inflation is an economic symptom that shows a continuous increase in general price levels. Furthermore, according to Zakiyah (2019), inflation is generally an increase in prices at a certain time. A higher inflation rate is associated with overheated economic conditions. This means that excessively high inflation can reduce the level of income earned by investors, which can cause a decrease in the purchasing power of money. Inflation data obtained from the official website of Bank Indonesia.

---

**RESULT AND ANALYSIS**

**Chow Test Results**

<table>
<thead>
<tr>
<th>Dependent</th>
<th>Chi-square</th>
<th>Prob</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>RETURN</td>
<td>46.140044</td>
<td>0.0000</td>
<td>Reject $H_0$, Fixed Effect choosen</td>
</tr>
</tbody>
</table>

Based on the table of the results of the chow test, the results show that the probability value of the Chi-square cross section is 0.0000 <0.05; thus, the decision obtained is that $H_0$ is rejected, and the model used is the fixed effect. If the selected model is a fixed effects model,
further testing is required using the Hausman test to test whether to use the fixed effects or random effects model.

### Hausman Test Results

<table>
<thead>
<tr>
<th>Dependent</th>
<th>Chi-square</th>
<th>Prob</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>RETURN</td>
<td>0.0000</td>
<td>1.0000</td>
<td>Accept $H_0$, Random Effect choosen</td>
</tr>
</tbody>
</table>

Based on the results of the Hausman test table, the overall results of the model show that the statistical cross-section probability value is 1.0000 > 0.05, so the decision that can be obtained is that $H_0$ is accepted so that the model used is the Random effect model.

### F-Test Results

<table>
<thead>
<tr>
<th>Dependent</th>
<th>F-Statistic</th>
<th>Prob</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>RETURN</td>
<td>117.7770</td>
<td>0.0000000</td>
<td>Reject $H_0$</td>
</tr>
</tbody>
</table>

Based on the test results, the probability of the F-statistic produces a value of 0.000000 <0.05. Thus the results of the analysis in this study indicate that there is at least 1 independent variable, namely non-performing loans, ownership institutions, net interest margins, capital adequacy ratios, BI Rate and inflation which influence stock returns so the regression model is feasible to use in this study.

### Goodness of Fit test Results

<table>
<thead>
<tr>
<th>Dependent</th>
<th>$R^2$</th>
<th>Adjusted $R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>RETURN</td>
<td>0.867439</td>
<td>0.860065</td>
</tr>
</tbody>
</table>

Based on the results of the goodness-of-fit test, the adjusted r-square value is 0.860065. This means that the independent variables, namely non-performing loans, ownership institutions, net interest margins, capital adequacy ratios, BI Rate, and inflation, can explain the
variation in the dependent variable, namely the stock price of 86.0065%. So that there is a strong relationship between RGEC, BI Rate, and Inflation on Stock Returns, and the remaining 13.9935% explains that Stock Returns can be influenced by other factors that are not contained in this model.

**T-Test results**

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Dependent Variables</th>
<th>Coefficient</th>
<th>Probability</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RETURN</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>-0.966307</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>NPL</td>
<td>4.240390</td>
<td>0.3821</td>
<td>Not significant</td>
<td></td>
</tr>
<tr>
<td>KI</td>
<td>-0.084636</td>
<td>0.8092</td>
<td>Not significant</td>
<td></td>
</tr>
<tr>
<td>NIM</td>
<td>-10.15709</td>
<td>0.0461</td>
<td>Significant Negative</td>
<td></td>
</tr>
<tr>
<td>CAR</td>
<td>11.16261</td>
<td>0.0000</td>
<td>Significant Positive</td>
<td></td>
</tr>
<tr>
<td>BI RATE</td>
<td>-17.98004</td>
<td>0.0868</td>
<td>Not significant</td>
<td></td>
</tr>
<tr>
<td>INFLASI</td>
<td>7.529125</td>
<td>0.0232</td>
<td>Significant Positive</td>
<td></td>
</tr>
</tbody>
</table>

Non-Performing Loans have a probability value of 0.3821 > 0.05 (alpha 5%) which shows no effect. The results of this study conclude that NPLs have no influence on stock returns. This is contrary to previous research, namely Indiani and Dewi (2016) and Cuandra and Merina (2021), which states that NPL has an effect on stock returns. The results of this analysis are possible because BI policies are related to suppressing NPLs; therefore, NPLs do not have a significant effect on stock returns.

Ownership Institution has a probability value of 0.8092 > 0.05 (alpha 5%) which shows no influence. The results of this study conclude that ownership institutions have no influence on stock return. This contradicts previous research, namely Salipadang and Jao's research (2017) and Hirawan and Hasanah's research (2020) which found empirical evidence that institutional ownership has a positive effect on stock returns. The results of this analysis suggest
that the increase in management performance oversight is not driven by institutional ownership in a company.

Net Interest Margin has a probability value of 0.0461 < 0.05 (alpha 5%) which shows the effect. The magnitude of the coefficient is -1015709. The results of this study conclude that there is a negative influence of the Net Interest Margin on Stock Returns. This is in line with previous research, which indicates that any increase in NIM will lead to a decrease in banking stock returns. This is possible because a high Net Interest Margin (NIM) indicates inefficiency in the banking sector, as banks with large fees tend to have high NIM as well.

The Capital Adequacy Ratio has a probability value of 0.0000 < 0.05 (alpha 5%), which shows the effect. The magnitude of the coefficient is 11.16261. The results of this study show that there is a positive relationship between the Capital Adequacy Ratio on Stock Returns. This is in line with previous research, which indicates that the greater the value of a company's CAR, the better the bank's ability to create stock returns.

BI Rate has a probability value of 0.0868 > 0.05 (alpha 5%) which shows no effect. The results of this study show that there is no influence of the BI Rate on Stock Returns. This is contrary to previous research that states that the BI Rate has an effect on stock returns. This is possible because, apart from the BI Rate, there are government policies that may affect stock returns, namely company policies, debt policies, export-import policies, and other policies.

Inflation has a probability value of 0.0232 < 0.05 (alpha 5%), which shows the effect. The magnitude of the coefficient was 7.529125. The results of this study indicate that inflation has a positive influence on stock returns. This finding is in line with previous research, which states that inflation affects stock returns. The results of the study show a positive effect, whereas if the inflation increases it does not affect the decrease in the value of stock returns.
CONCLUSION

Based on the results of the analysis and discussion that has been carried out, the researcher concludes that the Risk Profile, Good Corporate Governance, Earning, and Capital (RGEC) as well as the BI Rate and Stock Return together have a strong relationship to Stock Return. Additionally, each independent variable has a different effect on stock returns.

The Earnings variable calculated using the Net Interest Margin has a negative effect on stock returns. Capital Adequacy Ratio (CAR) and Inflation have a positive influence on Stock Returns. Meanwhile, the Risk Profile is measured through NPL, Good Corporate Governance (GCG) is measured through Institutional Ownership (IC), and the BI Rate has no effect on Stock Returns.

As for the suggestions given by the author to future researchers, other indicators can be used to measure each research variable, especially variable X. In addition, the scope of the research can be expanded into various sectors so that it can be used as comparison material.

REFERENCE


