Asian Journal of Management Analytics (AJMA)
Vol. 3, No. 4, 2024: 1021-1036

Fundamental VS Makro Ekonomi on Stock Price : Indonesian Stock Exchange (IDX)

Reza Sarif[1*], Mar'atus Sholihah[2], Tiara Juliana Jaya[3]
Universitas Islam Negeri Maulana Malik Ibrahim Malang
Corresponding Author: Reza Sarif rezasarif145@gmail.com

A R T I C L E I N F O

Keywords: Fundamentals, Macroeconomics, Stock Prices, Banking

Received : 25, August
Revised : 12, September
Accepted: 15, October

A B S T R A C T

Geopolitical tensions especially those occurring in the Middle East, have significantly impacted the world economy. This impact was also felt by the Indonesian state, which impacted company share prices which experienced a decline due to geopolitical tensions, including the banking sector. Apart from geopolitical tensions, several other factors, such as the company's fundamental factors, also influenced the decline in share prices. Fundamental factors play an important role in determining a company's share price. These factors refer to various elements and variables that reflect the company's financial condition, operations, and prospects. So quite a few investors use fundamental analysis to assess whether current share prices reflect the company's true intrinsic value. This study seeks to reassess the elements affecting banking share prices by incorporating macroeconomic control variables related to these concerns to enhance the robustness of the findings. Utilizing a quantitative approach through panel data regression, the research focuses on banks listed on the Indonesia Stock Exchange from 2019 to 2023, with a sample of 16 companies meeting the selection criteria. The results reveal that Debt Equity Ratio (DER), Return On Assets (ROA), Return On Equity (ROE), GDP, inflation, and exchange rates collectively have a positive and significant impact on stock prices. However, when analyzed individually, only ROE and exchange rates show a significant effect, while DER, ROA, GDP, and inflation do not.

INTRODUCTION

Currently, geopolitical tensions, especially those occurring in the Middle East, have a significant impact on the world economy (Elsayed & Helmi, 2021). This impact was also felt by the Indonesian state, which impacted company share prices which experienced a decline due to geopolitical tensions, including the banking sector. Shares are proof of ownership of the value of a company. Stock price movements are often considered an important indicator of a country's economic health. Stock indices such as the Composite Stock Price Index (IHSG) are used as a barometer to measure stock market performance and indirectly reflect the overall economic condition. If there is an increase in the IHSG, this indicates an improvement in the country's economic performance. However, geopolitical uncertainty and tension can make investors more careful in making investment decisions. As a result, shares of companies including large banks can experience significant downward price pressure. Apart from geopolitical tensions, several other factors also influenced the decline in share prices, such as the company's fundamental factors (Balcilar et al., 2018).

A company's fundamental factors refer to various elements and variables that reflect a company's financial condition, operations, and prospects (Yondrichs et al., 2021). These elements include data and information from financial reports such as income, net profit, cash flow, assets, and liabilities. Fundamental factors play an important role in determining a company's share price. Investors use fundamental analysis to assess whether current stock prices reflect the company's true intrinsic value. When a company shows strong financial performance with stable or increasing revenues and profits, investor confidence and demand for shares tend to increase, thereby pushing share prices up. On the other hand, if the financial report shows a decrease in revenue or profit, it usually causes a decrease in share prices. Until now, financial ratios remain an important tool for investors in analyzing the fundamentals of an entity. Financial ratios function as one of the main benchmarks for assessing the financial condition and performance of a company (Faello, 2015). Several financial ratios that are often analyzed in stock price assessments include the profitability ratio, with indicators such as Return on Assets (ROA) and Return on Equity (ROE), as well as the leverage ratio which is measured through the Debt to Equity Ratio (DER).

Profitability ratios such as ROA and ROE, offer insights into a company's efficiency in managing its assets and equity to generate profits (Alarussi, 2021). ROA evaluates the company's ability to derive profits from its total assets, whereas ROE measures the effectiveness of using shareholders' equity to achieve profitability. These metrics are critical as they reflect the company's financial health and operational performance. Studies Tarmidi et al. (2020) reveal a positive correlation between Return on Assets (ROA) and stock prices. However, Senewe et al. (2021) found that ROA does not influence stock prices. Conversely, research analyzing the impact of Return on Equity (ROE) on stock prices is less extensive. Findings by Choiriyah et al. (2020) suggest that ROE does affect stock prices, while studies by Inim et al. (2023) conclude that

ROE has no impact. Additionally, leverage ratios like the Debt to Equity Ratio (DER) measure a company's reliance on debt for asset financing. A higher DER indicates greater dependence on external funding, potentially affecting long-term financial stability. Research by Dita & Murtaqi (2014) and Pratama & Erawati (2014) found a positive effect of DER on stock prices, contrasting with the findings of Tarmidi et al. (2020), who observed no effect of DER on stock prices.

Stock prices are influenced not only by fundamental factors but also by the uncertainty of macroeconomic variables, which impact stock prices and other market indices. Thus, the efficiency and stability of the stock market are heavily reliant on the macroeconomic conditions in which it operates. Celebi & Hönig (2019) assert that stock markets typically respond to the macroeconomic environment, including the political and socio-economic climate, such as exchange rates, inflation, and gross domestic product (GDP), driven by the interactions between surplus units and productive sectors. In recent years, many companies across various sectors, particularly in banking, have faced declining stock prices due to geopolitical tensions in different countries, especially in the Middle East, affecting global macroeconomic conditions like inflation, economic growth, and exchange rates. Previous research conducted by Ouma & Muriu (2014) in Kenya found that exchange rates negatively impacted stock prices, while inflation and GDP had a positive and significant effect on stock prices.

Mbulawa (2015) analyzed how interest rates, exchange rates, and stock market performance interact, showing that interest rates had a marked effect on stock market outcomes prior to hyperinflation. He also identified a two-way influence between the stock market and exchange rates. During periods of hyperinflation, however, exchange rates seemed to bolster the stock market. Ray and Saha (2016) found that exchange rates negatively impacted stock prices significantly, though inflation and GDP effects were negative but not substantial. Abdullahi (2020) examined the impact of macroeconomic factors on stock prices in Nigeria and found that both inflation and exchange rates had notable effects. Khalid and Khan (2017) studied Pakistan's stock market and noted that while exchange rates had a positive yet minor effect, inflation rates significantly and positively influenced stock prices. Kurotamunobaraomi et al. (2017) looked into how inflation affected Nigerian stock prices and found that short-term stock prices were notably influenced by exchange rates, money supply, and inflation. Rjoub et al. (2017) explored the connection between various economic factors and stock prices in Turkey's banking sector, identifying significant correlations with asset quality, management quality, earnings, size, money supply, and interest rates. These findings collectively suggest that even with strong company fundamentals, stock prices remain vulnerable to broader macroeconomic conditions.

Given the varying conclusions from past studies on the factors affecting stock prices, this research seeks to re-evaluate the determinants of banking stock prices by incorporating macroeconomic control variables that are closely linked to these issues. This approach aims to enhance the robustness of

the findings. The research aspires to offer a more holistic understanding of the interplay between fundamental and macroeconomic factors in influencing stock prices. Additionally, it aims to assist investors in making more informed investment decisions by considering both fundamental and macroeconomic conditions.

LITERATURE REVIEW

Stock Price

The share price in the market will determine the value of a company, as well as the value of the company, which means the company's performance and health also influence its share price (Kurniati, 2019). Company health is a guarantee for investors to predict the profits they will receive in the future. If the company's performance is good, of course investors' profits in dividend distribution will increase and the share price will be higher. Stock prices will tend to move up if demand for a share increases and will tend to move down if demand decreases. The rise and fall of demand includes rational and irrational aspects. This rational aspect includes company performance, inflation, economic growth, etc. Meanwhile, irrational influences are caused by rumors and price games. Raghunandan & Rajgopal (2022) state that shares reflect a picture of whether the company is performing well or not. If share prices fall, this provides information that the banking or company's performance is not good. This will have implications for investors' interest and willingness to invest. As explained by Asykarulloh et al (2023), investors will respond to the performance conditions of banking companies as a consideration for investing, which also has implications for their share prices on the stock exchange.

Fundamental Analysis

Fundamental analysis involves determining whether a security is priced below or above its true value at a specific point in time (Abbass et al., 2022). This method often uncovers unique opportunities through various evaluation techniques to achieve high returns. The premise of fundamental analysis is that each stock has an intrinsic value, and this analysis compares that intrinsic value to the market price to assess whether the stock is accurately valued. It primarily focuses on the financial aspects of a business, aiming to gain a deeper understanding of the underlying characteristics of the company issuing the stock. Stock prices in fundamental analysis are predicted based on key fundamental factors like earnings and dividends. This approach is grounded in the belief that a stock's value reflects the overall value of the company, including expectations of the company's ability to generate profits for investors. Fundamental analysis seeks to project how these fundamental factors will influence stock prices in the future and to understand the relationships between these variables (Nti et al., 2020).

Return on Assets (ROA)

Profitability ratios, particularly Return on Assets (ROA), serve as a measure of a company's capability to utilize all its assets to generate post-tax profits (Buntu & Fitayanti, 2022). As highlighted by Purba & Bimantara (2020),

the ROA ratio is crucial for management in assessing the company's effectiveness and efficiency in managing its assets. ROA provides investors with insight into how effectively the company leverages its assets to produce earnings. Susilowati & Turyanto (2011) noted that an increase in ROA indicates rising company profits, leading to higher dividends for shareholders. As dividends increase, the demand for the company's shares typically rises. According to the law of demand, an increase in share demand leads to a corresponding rise in share prices. Studies by Nurrachmawati et al. (2023) demonstrate that ROA has a partial influence on share prices.

H_1: ROA has a significant effect on share prices

Return on Equity (ROE)

Return on Equity (ROE) is a key metric in financial analysis that assesses a company's ability to generate profits from the equity invested by shareholders (Choiriyah et al., 2020). ROE is determined by dividing the company's net income by total shareholder equity. A higher ROE indicates greater efficiency in utilizing shareholder capital to generate earnings. The market's perception of a company's stock value is significantly influenced by its ROE. A high ROE suggests that the company effectively maximizes profits from its equity, boosting investor confidence and driving up demand for its shares, which in turn increases stock prices. Conversely, a low ROE may signal inefficiency in capital management, leading to decreased investor interest and a decline in stock prices. Studies by Anindita (2020) have shown that ROE positively impacts stock prices. Based on this understanding, the following hypothesis can be proposed:

H_2: ROE has a significant effect on stock prices

Debt Ratio

The Debt to Equity Ratio (DER) is a key financial metric that reflects a company's ability to meet its debt obligations. DER illustrates the balance between the total debt a company owes to creditors and the equity provided by its shareholders. As noted by Saputri & Rahayu (2022), a higher DER suggests a greater reliance on creditor financing. When a company's capital structure is heavily weighted toward debt, it can negatively affect stock prices, as a high DER may deter investors from purchasing the company's shares. Elevated debt levels can decrease share demand, leading to a decline in stock prices. This aligns with signaling theory, which posits that management actions, such as disclosing financial information, serve as signals to investors about the company's internal health and future prospects. An increase in DER is perceived as a negative signal by investors and stakeholders, potentially resulting in lower share prices. Research by Ardiansyah et al indicates that DER has a significant impact on stock prices. Based on this discussion, the following hypothesis can be proposed:

H_3: DER has a significant effect on stock prices

Gross Domestic Product (GDP)

Gross Domestic Product (GDP) represents the total value of all goods and services produced within a country over a specific period. It serves as an indicator of the nation's economic activity, reflecting both income and spending on goods and services. A country's economic growth can be gauged by its GDP, which also provides insight into the average income of its population. Consequently, GDP is often used to assess the economic well-being of a nation. A higher GDP typically signifies greater prosperity within society. As prosperity increases, the amount of money in circulation rises, leading to higher consumption levels. However, as consumption grows, investment may decline, which can ultimately lead to lower stock prices. Research by Wiradharma et al. (2016) found a significant negative relationship between GDP and stock prices. Based on these findings, the following hypothesis can be proposed:

H_4: GDP has a significant effect on stock prices

Inflation

Inflation refers to the general rise in the prices of goods and services, which reduces the purchasing power of money (Silalahi & Sihombing, 2021). Typically, high inflation results from an overheated economy, where demand for products surpasses supply capabilities, leading to an overall increase in prices. Inflation negatively impacts stock prices because it drives up a company's costs. When these costs rise faster than the company's revenues, its profitability declines. Additionally, inflation often leads to higher loan interest rates, which can further squeeze profits. If inflation is excessive and prompts central banks like Bank Indonesia (BI) to raise interest rates, it may lead to a drop in stock prices. Although some studies, such as those by Handayani et al. (2022) indicate that inflation positively affects stock returns, this overview suggests that high inflation generally has a detrimental effect on stock prices. Based on this analysis, the following hypothesis can be proposed:

H_5: Inflation has a significant effect on stock prices

Exchange Rate

The exchange rate reflects the value of one currency relative to another (Ha et al., 2020). A decrease in the domestic currency's value compared to foreign currencies can enhance export volumes, potentially increasing a company's profitability. This boost in profitability may lead to higher stock prices if international demand is sufficiently responsive, affecting the returns for investors. Conversely, a weaker domestic currency can negatively impact companies with foreign currency debt, especially if their products are sold domestically. This scenario can result in a decline in the company's stock price on the IDX, thereby reducing stock returns. Research by Hulu et al. (2023) shows differing results, indicating that exchange rates can negatively impact stock returns. Based on this discussion, the following hypothesis can be proposed:

H_6: The exchange rate has a significant effect on stock prices

METHODOLOGY

This research aims to measure the influence of fundamental factors on banking share prices in Indonesia. Apart from that, this research also involves macroeconomic conditions such as GDP, inflation, and exchange rates as control variables to verify and test the robustness of the findings. This research uses panel data involving all banks listed on the Indonesia Stock Exchange for the period 2019 - 2023. The research sample involves 16 companies that meet the criteria for sample selection.

Table 1. Operational Variable

Variable	Symbol	Note	Source
Independent Variable			
Return on Asset	ROA	The Return of Assets of Bank	Annual Report
Return on Equity	ROE	The Return of Equity of Bank	Annual Report
Control Variable			
Exchange rate	KURS	The KURS in the bank country	International Monetary Funds
Gross Domestic Product	GDP	The GDP in the bank country	International Monetary Funds
Inflation	INF	The Inflation in the bank country	International Monetary Funds
Dependent Variable			
Stock Price	SA	The Stock Price of the Bank	Annual Report

This research analyzes the influence of fundamental factors on banking share prices using several stages of analysis. The initial stage was to carry out descriptive statistical tests which aimed to reveal the relationship phenomena that occurred in the samples used in the research. The second stage tested Classic Assumptions based on Normality of Error, Multicollinearity and Heteroskedasticity to ensure that the data was normally distributed and homogeneous (Alita et al., 2021; Brooks, 2014; Wardhana & Indawati, 2021). Then, the third stage is testing the determination model to determine the best estimator model by considering the results of the Chow Test, Hausmant Test and Lagrange Multiplier Test (Hussien et al., 2019; Muhammad et al., 2020). Finally, hypothesis testing is carried out including the coefficient of determination test (R^2), T test, and F test.

RESEARCH RESULT

Table 2. Descriptive Statistic

Variable	Harga Saham	DER	ROA	ROE	GDP	KURS	INFLASI
Mean	3815.139	0.896735	1.684062	0.497872	3.380000	14642.60	2.880000
Median	3665.470	0.976878	1.992488	0.689371	5.000000	14198.00	2.600000

Maximum	10385.77	1.000000	3.156575	1.000000	5.300000	15810.00	5.400000
Minimum	-4058.894	0.299597	-1.714798	-0.881206	-2.100000	13832.00	1.700000
Std. Dev.	2893.873	0.162567	1.169720	0.520837	2.812918	788.9016	1.334109

Source: data processed by Eviews 12

The table provided reveals that the average stock price is 3815.139, accompanied by a standard deviation of 2893.873, which indicates considerable fluctuation in stock prices. The Debt to Equity Ratio (DER) averages 0.896735 with a standard deviation of 0.162567, suggesting that most companies maintain a fairly consistent capital structure. The Return on Assets (ROA) averages 1.684062 with a standard deviation of 1.169720, while the Return on Equity (ROE) averages 0.497872 with a standard deviation of 0.520837. These figures reflect substantial variability in company profitability. Economic growth, measured by Gross Domestic Product (GDP), averages 3.38% with a range between -2.1% and 5.3%, indicating notable economic variability. Additionally, the average exchange rate is 14642.60 with a standard deviation of 788.9016, and average inflation stands at 2.88% with a standard deviation of 1.334109, showing a relatively stable economic environment.

Table 3. Classic Assumptions

Normality				
Jarque Bera	**Coefficient**	**Prob.**	**Rule of Thumbs**	**Note**
	0.08001	0.960	P > 0.05	Significant
Heteroskedasticity				
Breusch-Pagan	**Coefficient**	**Prob.**	**Rule of Thumbs**	**Note**
	0.476630	0.806	P > 0.05	Significant
Multikolinierity				
Variable	**Coefficient**	**VIF**	**Rule of Thumbs**	**Note**
DER	4176833.	1.062955	VIF < 10	Significant
ROE	80464.43	1.060151	VIF < 10	Significant
ROA	394073.0	1.029392	VIF < 10	Significant
GDP	19415.41	1.479316	VIF < 10	Significant
KURS	0.517812	3.103259	VIF < 10	Significant
INFLASI	202078.3	3.463402	VIF < 10	Significant

Source: data processed by Eviews 12

According to the Jarque-Bera test results, the coefficient was 0.080148 with a probability of 0.960718. Since this probability value of 0.96 is greater than 0.05, it suggests that the data follows a normal distribution. Next, the Breusch-Pagan test for heteroscedasticity was conducted, yielding a probability value of 0.806, which is also greater than 0.05. This result indicates that heteroscedasticity is not present in the data. Lastly, the multicollinearity test revealed that the Variance Inflation Factor (VIF) values for all variables were below 10, suggesting that multicollinearity is not an issue in this study.

Table 4. Estimation Model Determination

Effect Test	Statistic	Prob.	Result
Chow Test	28.559	0.000 < 0.05	FEM
Hausmant Test	0.000	1.000 > 0.05	REM
Lagrange Multiplier Test	103.3746	0.000 < 0.05	REM

Source: data processed by Eviews 12

According to the results shown in Table 3, the panel data regression analysis incorporates findings from the Chow Test, Hausman Test, and Lagrange Multiplier (LM) Test. The Chow Test produced a probability value of 0.000, which is less than 0.05, indicating that the Fixed Effects Model (FEM) is appropriate. However, the Hausman Test resulted in a probability value of 1.000, which is greater than 0.05, suggesting that the Random Effects Model (REM) should be used. Finally, the LM Test provided a probability value of 0.000, which is also less than 0.05, confirming that the REM is the most suitable model for this research.

Hypothesis test

Table 5. Determination Coefficient Test (R^2)

R-squared	0.194488
Adjusted R-squared	0.128281
S.E. of regression	0.442100
F-statistic	2.937596
Prob(F-statistic)	0.012674

Source: data processed by Eviews 12

This test measures how much influence all variables simultaneously have on the dependent variable. Based on the results of the coefficient of determination test, the Adjusted R-squared value was 0.128281. This Adjusted R-squared value shows that after taking into account the number of independent variables in the model, around 12.83% of the variation in stock prices can be explained by the combination of fundamental and macroeconomic variables used. In other words, there is still around 87.17% variation in stock prices that cannot be explained by this model and may be influenced by other factors not included in this study

Table 6. T-TEST

Dependent Variable: Harga Saham

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DER	0.520270	0.663196	0.784489	0.4353
ROE	0.345021	0.108053	3.193080	0.0021
ROA	-0.238787	0.169745	-1.406744	0.1637
GDP	-0.041445	0.022156	-1.870617	0.0654
KURS	-0.000240	0.000112	-2.139916	0.0357
INFLASI	0.085475	0.069437	1.230967	0.2223
C	9.870514	1.720801	5.736001	0.0000

Source: data processed by Eviews 12

The results of the T Test reveal several insights into the factors influencing stock prices. The Debt to Equity Ratio (DER) has a coefficient of 0.520270, a t-statistic of 0.784489, and a p-value of 0.4353. Since the p-value exceeds 0.05, DER does not significantly impact stock prices in this study. In contrast, the Return on Equity (ROE) shows a coefficient of 0.345021, a t-statistic of 3.193080, and a p-value of 0.0021. The p-value is less than 0.05, indicating that ROE has a positive and significant effect on stock prices, meaning that higher ROE is likely to increase stock prices. Return on Assets (ROA) has a coefficient of -0.238787, a t-statistic of -1.406744, and a p-value of 0.1637, suggesting that ROA does not significantly affect stock prices. Gross Domestic Product (GDP) has a coefficient of -0.041445, a t-statistic of -1.870617, and a p-value of 0.0654. Although this p-value is near the significance threshold of 0.05, GDP does not have a significant effect at the 95% confidence level, but it is close to being significant at the 90% level. The exchange rate has a coefficient of -0.000240, a t-statistic of -2.139916, and a p-value of 0.0357, indicating a negative and significant impact on stock prices, suggesting that a decrease in the exchange rate tends to raise stock prices. Finally, inflation shows a coefficient of 0.085475, a t-statistic of 1.230967, and a p-value of 0.2223, which indicates that inflation does not significantly influence stock prices.

Table 7. F–TEST

R-squared	0.194488
Adjusted R-squared	0.128281
S.E. of regression	0.442100
F-statistic	2.937596
Prob(F-statistic)	0.012674

Source: data processed by Eviews 12

The F-statistic is 2.937596 with a probability (Prob(F-statistic)) of 0.012674 indicating that the overall regression model is significant. The prob value < 0.05 indicates that simultaneously, the fundamental and

macroeconomic variables included in the model have a significant effect on stock prices.

DISCUSSION

To assess the significance of each variable, the researchers analyzed the T-test results. The findings indicate that the Debt to Equity Ratio (DER) does not significantly affect banking stock prices. This conclusion is supported by a regression coefficient of 0.5202 and a significance value of 0.4353. Since this significance value exceeds the threshold of $\alpha = 0.05$ ($0.4353 > 0.05$), it implies that DER does not have a meaningful impact on stock prices. Although the positive coefficient suggests a positive relationship between DER and banking stock prices—indicating that higher DER might be associated with higher stock prices—the T-test results show that this relationship is not statistically significant. Consequently, the hypothesis proposing a partial effect of DER on stock prices cannot be supported. These findings align with Ramdhani's (2013) study, which also found that DER had a significance value of 0.4320, indicating no partial influence on stock prices. This suggests that DER is not an effective measure for investors to evaluate a company's financial health or to guide investment decisions. Investors generally perceive high debt relative to equity as a risk, potentially leading to reduced interest in the company's shares, as noted in Purwitasari et al. (2021), where DER is not deemed a primary factor for investment decisions.

Evaluating the second hypothesis through the Return on Equity (ROE) variable reveals a positive and statistically significant impact on banking stock prices. This conclusion is supported by a probability value of 0.002, which is less than 0.05, confirming that ROE significantly affects banking share prices. These findings are consistent with studies by Choiriyah et al. (2020), Hakim & Susilowati (2023), and Medyawati & Yunanto (2023), which also demonstrate that ROE influences stock prices. Conversely, the assessment of the third hypothesis using the Return on Assets (ROA) variable shows no significant effect. The partial test results indicate a probability value of 0.163, which is greater than 0.05, suggesting that ROA does not significantly impact stock prices in this study. This result aligns with Senewe et al. (2021), which found that ROA does not affect stock prices.

Analyzing the fourth hypothesis reveals that economic growth, as measured by GDP, does influence stock prices. The GDP variable, with a regression coefficient of -1.870617 and a significance value of 0.065, shows that its impact is not statistically significant, as the significance value exceeds the $\alpha = 0.05$ threshold ($0.065 > 0.05$). Thus, it can be concluded that GDP does not have a substantial effect on stock prices. This finding is consistent with research by Wiyanti (2018), which also indicates that GDP does not significantly impact banking stock prices. An increase in GDP does not necessarily translate into a direct positive effect on the banking sector, as the GDP growth might be driven by sectors like technology or agriculture, which do not directly affect banking profitability or stability. Consequently, while GDP remains a key

macroeconomic indicator, factors more closely tied to the banking sector tend to have a more significant influence on banking share prices.

Evaluating the fifth hypothesis demonstrates that the inflation rate (INF) has an impact on stock prices. The regression coefficient for inflation is 0.085475, with a significance value of 0.2223. Since this significance value exceeds the $\alpha = 0.05$ threshold ($0.2223 > 0.05$), it suggests that inflation does not significantly affect stock prices. Thus, the hypothesis that inflation rate impacts stock prices is not supported. This finding aligns with Lomi (2012), who also found no effect of inflation on stock prices. In Indonesia, where inflation remains relatively low (between 6%-7% annually), this mild inflation does not directly or immediately influence banking share prices. Instead, its impact on stock prices is gradual. According to Uddin & Rahman (2023), mild inflation can promote economic growth, while high inflation reduces purchasing power and can decrease stock prices. Samsul (2015) adds that excessively high inflation lowers stock prices, whereas very low inflation leads to slow economic growth.

Evaluating the sixth hypothesis reveals that the exchange rate significantly impacts stock prices. The regression coefficient for the exchange rate is -0.00024, with a significance level of 0.03. Since this significance level is less than the $\alpha = 0.05$ threshold ($0.03 < 0.05$), it indicates that the exchange rate has a notable effect on stock prices. This finding aligns with the studies of Ouma & Muriu (2014) and Ray & Saha (2016), which reported a negative influence of the exchange rate on banking stock prices. Instability in exchange rates can undermine investor confidence in bank performance, leading to a decrease in banking stock prices. Significant fluctuations in exchange rates introduce economic uncertainty, which causes investors to shy away from banking stocks. Such uncertainty often results from anticipated declines in bank profitability due to increased borrowing costs and potential rises in bad loans. Consequently, a decline in the exchange rate typically correlates with a fall in banking stock prices as the market reacts negatively to the outlook on bank profitability and stability.

The F-Test results indicate that the variables including Debt Equity Ratio (DER), Return on Assets (ROA), Return on Equity (ROE), GDP, Inflation, and Exchange Rate all have a collective and significant impact on stock prices. This implies that these fundamental and macroeconomic factors together account for 12.83% of the variations in stock prices listed on the Indonesia Stock Exchange, leaving 87.17% influenced by other variables not covered in this study. This finding aligns with the studies by Sanjaya et al (2020) and Jafar (2023), which also found a significant positive impact of these factors on stock prices. The positive correlation underscores how well-managed company fundamentals and favorable macroeconomic conditions can boost stock prices. A well-balanced DER demonstrates effective use of financial leverage, while high ROA and ROE reflect efficient asset and equity utilization, enhancing investor trust. GDP growth signals an expanding economy which benefits corporate revenue, controlled inflation indicates economic stability, and a stable exchange rate supports profit margins. These factors collectively suggest that robust company performance and a stable economic environment foster

investor confidence, thereby increasing stock prices. Investors utilizing fundamental analysis can better identify promising stocks, as noted by (Bihari & Charde, 2014). Furthermore, Mohammad Samsul (2015) emphasizes that stock prices are highly sensitive to shifts in macroeconomic conditions, reflecting rapid investor responses to such changes.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of the discussion above, it can be concluded that the variables Debt Equity Ratio (DER), Return On Assets (ROA), Return On Equity (ROE), GDP, inflation and exchange rate simultaneously have a positive and significant relationship with stock prices. However, partial analysis shows that only ROE and exchange rates have a significant effect, while DER, ROA, GDP, and inflation do not show a significant effect. This finding is consistent with previous research which emphasizes the importance of fundamental factors in influencing stock prices, even though DER is not the main consideration for investors. Investors consider ROE more as an indicator of profitability, while exchange rate instability can reduce confidence in bank performance. Mild inflation does not have a significant impact on stock prices, and increases in GDP are not always directly related to banking profitability.

Therefore, it is recommended that investors pay more attention to the Return On Equity (ROE) variable when making investment decisions in the banking sector because it has been proven to have a significant influence on share prices. In addition, exchange rate stability also needs to be closely monitored considering its significant impact on investor confidence and banking share prices. Even though variables such as Debt Equity Ratio (DER), Return On Assets (ROA), GDP, and inflation do not show a partially significant influence, companies need to maintain a balanced debt and equity ratio and increase asset efficiency to attract overall investor interest. The government and regulators also need to maintain macroeconomic and exchange rate stability to create a conducive investment climate in the stock market.

ADVANCED RESEARCH

In writing this article the researcher realizes that there are still many shortcomings in terms of language, writing, and form of presentation considering the limited knowledge and abilities of the researchers themselves. Therefore, for the perfection of the article, the researcher expects constructive criticism and suggestions from various parties.

REFERENCES

Abbass, K., Sharif, A., Song, H., Ali, M. T., Khan, F., & Amin, N. (2022). Do geopolitical oil price risk, global macroeconomic fundamentals relate Islamic and conventional stock market? Empirical evidence from QARDL approach. *Resources Policy*, *77*, 102730.

Abdullahi, I. B. (2020). Effect of Unstable Macroeconomic Indicators on Banking Sector Stock Price Behaviour in Nigerian Stock Market. *International Journal of Economics and Financial Issues*, *10*(2), 1.

Alarussi, A. S. A. (2021). Financial ratios and efficiency in Malaysian listed companies. *Asian Journal of Economics and Banking*, *5*(2), 116–135.

Alita, D., Putra, A. D., & Darwis, D. (2021). Analysis of classic assumption test and multiple linear regression coefficient test for employee structural office recommendation. *IJCCS (Indonesian Journal of Computing and Cybernetics Systems)*, *15*(3), 295. https://doi.org/10.22146/ijccs.65586

Angraini, D. P., Sudarsono, H., & Anindita, S. F. (2020). The influence of financial performance and macroeconomic on financing risk in Islamic banks. *Asian Journal of Islamic Management (AJIM)*, 138–152.

Asykarulloh, A., Araffi, M., Mahmudah, D., Prihatin, R., & Al Umar, A. U. A. (2023). Pengaruh Faktor Fundamental Terhadap Harga Saham Bank Digital Di Indeks Saham Syariah. *Jurnal Analisa Akuntansi Dan Perpajakan*, *7*(1), 19–28.

Balcilar, M., Bonato, M., Demirer, R., & Gupta, R. (2018). Geopolitical risks and stock market dynamics of the BRICS. *Economic Systems*, *42*(2), 295–306.

Bihari, S. C., & Charde, S. K. (2014). Intrinsic value of stocks: does market appreciate it? A study on three major private banks in India. *Economics, Management & Financial Markets*, *9*(1).

Brooks, C. (2014). Classical linear regression model assumptions and diagnostic tests. In *Introductory Econometrics for Finance* (pp. 179–250). Cambridge University Press. https://doi.org/10.1017/CBO9781139540872.006

Buntu, B., & Fitayanti, S. (2022). Analisis Kinerja Keuangan Ditinjau Dari Rasio Likuiditas Dan Profitabilitas Pada PT. Baliem Maju Mandiri Kabupaten Jayawijaya Di Wamena. *Jurnal Ekonomi Dan Bisnis*, *14*(2), 79–90.

Celebi, K., & Hönig, M. (2019). The impact of macroeconomic factors on the German stock market: Evidence for the crisis, pre-and post-crisis periods. *International Journal of Financial Studies*, *7*(2), 18.

Choiriyah, C., Fatimah, F., Agustina, S., & Ulfa, U. (2020). The effect of return on assets, return on equity, net profit margin, earning per share, and operating profit margin on stock prices of banking companies in Indonesia Stock Exchange. *International Journal of Finance Research*, *1*(2), 103–123.

Dita, A. H., & Murtaqi, I. (2014). The effect of next profit margin, price to book value and debt to equity ratio to stock return in the Indonesian consumer goods sector. *Journal of Business and Management*, *3*(3).

Elsayed, A. H., & Helmi, M. H. (2021). Volatility transmission and spillover dynamics across financial markets: the role of geopolitical risk. *Annals of Operations Research*, *305*(1), 1–22.

Faello, J. (2015). Understanding the limitations of financial ratios. *Academy of Accounting and Financial Studies Journal*, *19*(3), 75.

Ha, J., Stocker, M. M., & Yilmazkuday, H. (2020). Inflation and exchange rate pass-through. *Journal of International Money and Finance*, *105*, 102187.

Hakim, L., & Susilowati, D. (2023). Influence Analysis Fundamentals On Stock Prices In The Company Bankings Listed On Stock Exchange Indonesia Period 2017-2021. *Akuntansi: Jurnal Akuntansi Integratif*, *9*(1), 37–50.

Handayani, M., Samosir, P. S., & Suparningsih, B. (2022). The effect of return on equity (ROE) and debt to equity ratio (DER) on stock prices with inflation as mediation variables: Case study on banking companies listed on the Indonesia stock exchange 2014-2020 period. *International Journal of Multidisciplinary Research and Growth Evaluation*, 50–56. https://doi.org/10.54660/anfo.2022.3.3.5

Hulu, M., Pinem, H. B., Pratama, A., & Lubis, Y. M. (2023). THE EFFECT OF INTEREST RATE, EXCHANGE RATE, INFLATION, AND RETURN ON ASSETS (ROA) ON STOCK PRICE IN THE BANKING SUB SECTOR LISTED ON THE IDX. *International Journal of Accounting, Management, Economics and Social Sciences (IJAMESC)*, *1*(3), 220–229.

Hussien, M. E., Alam, M. M., Murad, M. W., & Wahid, A. N. M. (2019). The performance of Islamic banks during the 2008 global financial crisis. *Journal of Islamic Accounting and Business Research*, *10*(3), 407–420. https://doi.org/10.1108/JIABR-01-2017-0011

Khalid, W., & Khan, S. (2017). Effects of macroeconomic variables on the stock market volatility: the Pakistan experience. *International Journal of Econometrics and Financial Management*, *5*(2), 42–59.

Kurniati, S. (2019). Stock returns and financial performance as mediation variables in the influence of good corporate governance on corporate value. *Corporate Governance: The International Journal of Business in Society*, *19*(6), 1289–1309.

Kurotamunobaraomi, T., & Ebiware, A. E. (2017). Inflation and stock prices: The Nexus. *International Journal of Banking and Finance Research*, *3*(1), 49–58.

Lomi, R. G. (2012). *Analisis Pengaruh Inflasi, Harga Minyak, dan Invesment Grade Terhadap Harga Saham di Indeks Bisnis-27 Periode 2009-2011*. Tesis. Jakarta: Universitas Indonesia.

Mbulawa, S. (2015). *Stock market performance, interest rate and exchange rate interactions in zimbabwe: A cointegration approach*.

Medyawati, H., & Yunanto, M. (2023). Determinants of Banking Sector Stock Prices in Indonesia. *Journal of Economics, Finance and Accounting Studies*, *5*(2), 40–51.

Muhammad, R., Suluki, A., & Nugraheni, P. (2020). Internal factors and non-performing financing in Indonesian Islamic rural banks. *Cogent Business & Management*, *7*(1), 1823583. https://doi.org/10.1080/23311975.2020.1823583

Nti, I. K., Adekoya, A. F., & Weyori, B. A. (2020). A systematic review of fundamental and technical analysis of stock market predictions. *Artificial Intelligence Review*, *53*(4), 3007–3057.

Nurrachmawati, N., Angraini, F. L., Nisa, F. K., & Amri, A. (2023). Peranan Manajemen Likuiditas terhadap Operasional dan Tingkat Kesehatan Bank Syariah. *Al-Istimrar: Jurnal Ekonomi Syariah*, *2*(2), 175–189.

Ouma, W. N., & Muriu, P. (2014). The impact of macroeconomic variables on stock market returns in Kenya. *International Journal of Business and Commerce*, *3*(11), 1–31.

Pratama, A., & Erawati, T. (2014). Pengaruh current ratio, debt to equity ratio, return on equity, net profit margin dan earning per share terhadap harga saham (study kasus pada Perusahaan Manufaktur yang terdaftar di Bursa Efek Indonesia periode 2008-2011). *Jurnal Akuntansi*, *2*(1), 1–10.

Purwitasari, N. M. I., Mendra, N. P. Y., & Bhegawati, D. A. S. (2021). Stock Pengaruh Return On Asset (ROA), Debt To Equity Ratio (DER), Dan Earning Per Share (EPS) Terhadap Return Saham Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia (BEI) Tahun 2016-2018. *Widya Akuntansi Dan Keuangan*, *3*(1), 23–32.

Raghunandan, A., & Rajgopal, S. (2022). Do ESG funds make stakeholder-friendly investments? *Review of Accounting Studies*, *27*(3), 822–863.

Ray, S., & Saha, M. (2016). Dynamic association between macroeconomic variables and stock return volatility: evidence from India. *American Journal of Business, Economics and Management*, *4*(4), 40–56.

Rjoub, H., Civcir, I., & Resatoglu, N. G. (2017). Micro and macroeconomic determinants of stock prices: The case of Turkish banking sector. *Romanian Journal of Economic Forecasting*, *20*(1), 150–166.

Samsul, M. (2015). *Pasar modal dan manajemen portofolio*.

Sanjaya, R., & Rahayu, K. P. (2020). The Influence of Fundamental Factors of Macroeconomics Against Price Earning Ratio through Dividend Payout Ratio for LQ. 45 Non-Banking Companies. *Jurnal SEKURITAS (Saham, Ekonomi, Keuangan Dan Investasi)*, *4*(1), 80–95.

Saputri, O. A., & Rahayu, Y. (2022). Pengaruh Variabel Fundamental Terhadap Harga Saham Perusahaan Indeks LQ45. *Jurnal Ilmu Dan Riset Akuntansi (JIRA)*, *11*(3).

Senewe, S. P. D., Nurjanah, R., & Nurmayanti, R. (2021). Effect of EPS (Earning Per Share) NPM (Net Profit Margin) and ROA (Return on Asset) on Share Prices (a Case Study of Banking and Cigarette Companies Listed in the LQ45 Index on the Indonesia Stock Exchange 2016-2019 Period). *Nusantara Science and Technology Proceedings*, 145–152.

Silalahi, E., & Sihombing, R. (2021). Pengaruh Faktor Makro Ekonomi Terhadap Pergerakan Indeks Harga Saham Gabungan (Ihsg) Di Bursa Efek Indonesia Periode 2017-2020. *Jurnal Riset Akuntansi & Keuangan*, 139–152.

Susilowati, Y., & Turyanto, T. (2011). Reaksi signal rasio profitabilitas dan rasio solvabilitas terhadap return saham perusahaan. *Dinamika Keuangan Dan Perbankan*, *3*(1), 17–37.

Tarmidi, D., Pramukty, R., & Akbar, T. (2020). Fundamental Analysis of Financial Ratios on Stock Prices. *Saudi Journal of Economics and Finance*, *4*(5), 176–180.

Uddin, I., & Rahman, K. U. (2023). Impact of corruption, unemployment and inflation on economic growth evidence from developing countries. *Quality & Quantity*, *57*(3), 2759–2779.