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The Effect of Net Interest Margin And Capital Adequacy Ratio on the Share Price of the Banking Sector Listed on the Indonesian Stock Exchange (Bei) in 2020 - 2023

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A R T I C L E I N F O

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A B S T R A C T

This study aims to identify and analyze the impact of Net Interest Margin and the effect of Capital Adequacy Ratio, as well as the combined effect of Net Interest Margin and Capital Adequacy Ratio on stock prices. A quantitative research method was employed for this study. The population consisted of 37 banking companies listed on the Indonesia Stock Exchange (IDX). The sampling method used was purposive sampling, selecting 20 companies that were consistent and met the sample selection criteria during the period from 2020 to 2023, resulting in 60 data points after the outlier removal process. The analytical model applied in this hypothesis includes descriptive statistics, classical assumption tests, regression equations, multiple linear regression analysis, partial tests, simultaneous tests, and coefficients of determination. The findings indicate that NIM does not have a significant effect on stock prices, CAR also does not significantly affect stock prices, and together, NIM and CAR do not have a significant impact on stock prices.

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INTRODUCTION

Indonesia is the largest archipelago in the world with more than 17,000 islands. Its strategic location, between two continents and two oceans, makes Indonesia rich in cultural diversity, language, and abundant natural resources. In addition, Indonesia has a very high level of biodiversity, making it one of the world's main concerns in environmental conservation efforts. However, behind this extraordinary potential, Indonesia faces a number of challenges, including equitable development, sustainable management of natural resources, and maintenance of diversity in the face of the dynamics of globalization.

These challenges have a significant impact on the condition of the national economy, including the performance of the capital market, which is reflected in stock price movements. Indonesia's rich natural resources and strategic position provide great opportunities for domestic and international investment, but challenges such as economic instability, government policies, and global market dynamics also affect stock price fluctuations. Therefore, understanding the relationship between Indonesia's economic potential and stock prices is important to provide a more comprehensive picture of the stability and growth of the financial sector in the country.

Sektor dengan Kinerja Terburuk di 2024

	Sektor	Posisi Terakhir	Kinerja YtD
1	Transportasi dan Logistik	1293.11	−19.26%
2	Teknologi	3880.87	−12.51%
3	Industri	1018.46	−6.88%
4	Infrastruktur	1469.52	−6.40%
5	Barang Baku	1236.79	−5.41%
6	Jasa Keuangan	1396.55	−4.24%
7	Consumer Non-Cyclicals	713.24	−1.27%
8	Consumer Cyclicals	821.35	−0.01%
9	Layanan Kesehatan	1441.32	4.73%
10	Properti dan Real Estate	754.91	5.70%
11	Energi	2658.29	26.53%

**Data per 27 Desember 2024*

Table: Tim Riset IDXChannel • Source: BEI, diolah • Created with Datawrapper

The presence of the banking sector as a financial institution plays an important role in supporting economic stability and encouraging capital market growth. Banks not only function as banking service providers, but also become the main driver in channeling investment funds to various sectors, including the stock market. With good profitability and solvency, banks are able to provide confidence to the public and investors, thus strengthening their role in maintaining economic stability. In addition, banks also act as mediators that connect surplus funds from investors with financing needs for the productive sector, which in turn affects the performance of stock prices, including in the banking sector itself. Thus, the existence of banks not only serves as a financial institution, but also as a key driver in strengthening the dynamics of national finance as a whole.

In finansial.bisnis.com also wrote that the share prices of major banks turned red in the middle of 2021, including BNI. Previously, BNI President Director Royke Tumilaar conveyed the *rights issue* plan in a revenue hearing meeting with Commission XI of the DPR, Thursday (17/6/2021). The rights issue plan will increase the capital adequacy ratio (CAR), currently BNI's *Capital Adequacy Ratio* is 18 percent and its core capital is at the level of 15 percent, or close to the level set by the regulation, which is at the level of 14 percent. "When viewed with other Himbara Banks, it is in the range of 19-20 percent. That is why we are trying to propose to conduct a rights issue to increase the artificial capital so that it can be close to its pier at the level of 18-19 percent. So, we still have a gap.

The information presented in the financial statements has a very important role for various company stakeholders. For internal parties, such as management, financial statements are used as a basis for evaluating and measuring overall company performance. Meanwhile, for external parties, such as investors, financial statements are a source of relevant information to support decision making in investment activities, especially in the capital market.

Economic changes in today's era of globalization are witnessing significant advancements. With the continuous growth of technology, the business landscape has also transformed. This is evident in the rising number of companies, particularly in the banking sector and stock market, where numerous banking firms have been opened to the public.

As a result of this phenomenon, each banking company aims to enhance its solvency and profitability, along with the stock prices they achieve. Consequently, effective financial management is essential for assessing the outcomes of banking operations and conducting financial analyses of the performance attained by these companies over a specific period.

To support their operational funding, publicly traded banking companies can raise capital by selling shares to investors. The medium used by banking companies to sell shares to the public is the capital market, which generally includes the stock exchange. The capital market serves as a forum to bring together parties who need long-term funds with parties who have funds. Capital market activities are a form of investment, namely capital investment activities, either directly or indirectly, with the hope that the owner of the capital will benefit from the results of the investment at a predetermined time. The following is data on the share price of the banking sector (foreign exchange banks) for the period 2020 - 2023:

Table 1.1 List of foreign exchange bank stock prices for the period 2020 - 2023

NO	EMITENTS	2020	2021	2022	2023
1	BBCA	6.770,00	7.300,00	8.550,00	9.400,00
2	BBRI	3.790,84	4.110,00	4.940,00	5.725,00
3	BBNI	3.087,50	3.375,00	4.612,50	5.375,00
4	BMRI	3.162,50	3.512,50	4.962,50	6.050,00
5	BBTN	1.532,50	1.536,94	1.350,00	1.250,00
6	BJBR	1.545,74	1.331,33	1.345,00	1.150,00
7	BNGA	995,00	965,00	1.185,00	1.695,00
8	BBKP	410,26	266,62	100,72	80,00
9	AGRO	1.012,64	1.810,00	404,00	310,00
10	BJTM	680,00	750,00	710,00	625,00
11	ARTO	3.566,11	16.000,00	3.720,00	2.900,00
12	BABP	50,00	186,00	101,00	60,00
13	READ	376,00	266,00	131,00	132,00
14	BDMN	3.140,00	2.350,00	2.730,00	2.780,00
15	BGTG	70,78	233,39	87,00	77,00
16	BNLI	2.639,71	1.535,00	1.015,00	930,00
17	BNBA	309,35	2.651,55	925,00	745,00
18	BNII	346,00	332,00	228,00	242,00

19	BTPN	3.110,00	2.620,00	2.650,00	2.620,00
20	MCOR	139,00	116,00	80,00	78,00
21	PNBN	1.065,00	770,00	1.540,00	1.210,00
22	BVIC	114,00	204,00	107,00	99,00
23	INPC	69,00	127,00	71,00	73,00
24	BKSW	106,00	192,00	102,00	81,00
25	MEGA	4.128,17	4.859,20	5.275,00	5.100,00
26	NISP	820,00	670,00	745,00	1.180,00
27	AGRS	142,96	158,83	90,00	83,00
28	BSIM	505,00	875,00	885,00	890,00
29	BINA	690,00	3.810,00	3.990,00	4.090,00
30	NOBU	766,70	659,83	511,13	740,00
31	MY	2.578,56	371,50	292,70	255,55
32	BMAS	165,51	665,90	657,12	580,00
33	MASB	-	3.550,00	3.530,00	3.610,00
34	BCIC	700,00	206,00	174,00	120,00
35	SDRA	731,82	565,00	570,00	565,00
36	BBMD	1.500,00	2.000,00	2.120,00	2.000,00

37	BSWD	1.187,50	1.187,50	1.187,50	1.245,00

source:finance.yahoo.com

From the data above, it can be concluded that stock price movements fluctuate. Therefore, the author wants to analyze whether the ability of banking companies to meet their financial obligations through their assets affects the share price that investors are interested in. In this case, investors can assess the performance of banking companies by comparing the financial data presented in the financial statements using financial analysis tools, and linking it to the share price they will buy.

The results of research conducted by Djoko Wijono, Bambang Sugeng Dwiyanto, Andriya Risdwiyanto, Jemadi (2023) that *Net Interest Margin* (NIM) was found to have a negative and significant effect on stock prices in banks listed on the Indonesia Stock Exchange for the period 2016-2022 (Wijono et al., 2023). While the results of research conducted by Moh. Saiful Hakiki, Riyan Sisiawan Putra, Andi Harmoko Arifin, Julia Safitri and Martino Wibowo (2024) that NIM positively affects stock prices. For *Capital Adequacy Ratio* (CAR) research on stock prices conducted by Yanti and Eny Purwaningsih (2024) shows that the *Capital Adequacy Ratio* has a negative impact on stock prices. And research conducted by Indra Satria and Iha Haryani Hatta (2015) shows that an increase in stock prices can occur because stock prices are strongly influenced by an increase in the CAR ratio, which means that CAR has a positive effect on stock prices (Bisnis, 2024).

THEORY REVIEW

Capital Markets

The global capital market is an intricate network that connects stock exchanges around the world, enabling cross-border trading of financial instruments. This ecosystem provides opportunities for companies from different countries to raise funding, while allowing investors to diversify their portfolios internationally. The dynamics of this market are influenced by various factors, such as economic conditions, geopolitical situations, technological developments, and investor sentiment. Instruments traded include stocks, bonds, derivatives and mutual funds. While offering vast investment opportunities, global capital markets also present challenges such as volatility, complex regulations and exchange rate risk. Major stock exchanges such as the NYSE, Nasdaq, and Tokyo Stock Exchange are the centers of trading on a global level.

The capital market is a mechanism or means that brings together parties who need funding, such as companies or governments, with parties who have excess funds, such as investors, through long-term financial instruments, such as stocks, bonds, and other derivative instruments. The existence of the capital market has a strategic role in supporting the economy, especially in allocating resources to productive sectors.

Shares

Shares are proof of ownership of a company. In other words, if we own shares in a company, it means we have a share of the company's ownership. For example, using the company Unilever, a company engaged in the distribution sector of consumer goods such as Pepsodent, Dove, Lifebuoy, and others. When we buy Unilever shares, it means we become one of the owners of the company. This shareholding encompasses all of the company's assets, including its net capital, profits, debt, and other elements. Our proportion of ownership in the company is determined by the percentage of shares we own compared to the total shares of the company as a whole.

Share price

According to Jogiyanto (2017: 160), the share price is the value of a share listed on the stock exchange market at a certain time, which is determined by the interaction between market participants through the mechanism of demand and supply of shares in the capital market. Hadi (2013: 179) adds that the share price is the nominal value in a certain currency formed as a result of buying and selling shares between members of the stock exchange. Meanwhile, Abidin (2016) states that stock prices in the capital market are determined by the supply and demand mechanism. When demand for a company's shares increases, the share price tends to rise. Conversely, if there is an increase in the sale of shares by many parties, the share price will decrease.

Stock prices are affected by a variety of internal and external factors. Internal factors pertain to the fundamental conditions of the company or issuer, while external factors encompass interest rates, currency exchange rates, and competition. According to Bahar (2018), the performance of the issuer is a key internal factor influencing stock prices. Strong issuer performance tends to lead to an increase in share prices, whereas poor performance can have the opposite effect. Issuer performance can be assessed from two perspectives: managerial performance and financial performance, with the latter often evaluated using financial ratios. Common financial ratios used to gauge company performance include profitability and solvency ratios. The formula for calculating stock price is:

$$\text{Avg} = \frac{Total\ Harga\ Saham\ Satu\ Tahun}{Jumlah\ Hari\ Aktif\ Perdagangan\ dalam\ satu\ tahun}$$

Source: Irham Fahmi (2020)

Banking financial ratio

Banking financial ratios serve as analytical instruments to assess the performance and financial stability of banks. Commonly utilized ratios in the banking sector include the liquidity ratio, profitability ratio, solvency ratio, asset quality ratio, efficiency ratio, and market ratio.

Profitability ratios are particularly important for evaluating a bank's capacity to generate profits, reflecting its efficiency in producing earnings from its assets or equity. One such ratio is the Net Interest Margin (NIM), which measures the difference between interest income and interest expenses in relation to earning assets.

$$\text{NIM} = \frac{Pendapatan\ Bunga\ Bersih}{Total\ Aset}\ x\ 100\%$$

The solvency ratio, also known as capital adequacy, assesses a bank's capacity to absorb potential losses. In the banking sector, solvency ratios evaluate the institution's ability to fulfill long-term obligations and sustain its operations. This ratio demonstrates how well the bank's capital can handle various risks, including credit, market, and operational risks. Its significance lies in serving as an indicator of the bank's financial health and ensuring compliance with relevant banking regulations. The Capital Adequacy Ratio (CAR) specifically measures the adequacy of the bank's capital to cover potential losses arising from various risks

$$\text{CAR} = \frac{Modal\ Sendiri}{Aset\ Tertimbang\ Menurut\ Risiko\ (ATMR)}\ x\ 100\%$$

According to Taswan in Purwanti (2020), the higher the *Net Interest Margin* (NIM) ratio, the better the bank's performance in generating interest income. It is assumed that the increase does not come from high intermediation costs, but from interest income generated and then reallocated to strengthen bank capital. According to Kasmir in Purwanti (2020), the main profit obtained by banks operating on conventional principles is based on predetermined interest. In conventional banking, interest can be viewed as compensation for the services rendered to customers who utilize bank products. Additionally, interest can be seen as a fee that deposit-holding customers must pay for keeping their money in the bank or as a charge applied to customers who take out loans from the bank.

According to Lilis in Brastama & Yadnya (2020) Sufficient capital will increase public confidence in bank performance, so CAR has a positive effect on stock prices. The reason researchers use the CAR ratio is because this ratio reflects the extent to which banks are able to manage risks and losses, and illustrates the financial health of banks. CAR, in line with international standards, enables banks to remain competitive and expand. Furthermore, this ratio influences the bank's capacity to issue loans, which is a primary source of income. A high CAR also boosts confidence among the public and investors, positively affecting the bank's stock price. This ratio signifies improved bank performance, as it demonstrates the bank's ability to manage its operations and risks effectively. Consequently, CAR is a crucial metric in research focused on bank performance and stability

RESEARCH METHODOLOGY

This research centers on analyzing financial ratios derived from the annual financial statements of banking firms listed on the Indonesia Stock Exchange. The research employs a quantitative approach, utilizing secondary data. The analysis involves reviewing the financial statements of the companies over a designated timeframe for the sample selection. in the context of quantitative research, the population refers to a set of subjects or objects that

share specific characteristics defined by the researcher for examination and analysis in relation to existing phenomena. In this study, the population comprises 37 foreign exchange banking companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2023. Sugiyono (in Ali M. M, 2023) describes the population as a collection of individuals or objects with particular characteristics that researchers use as a foundation for drawing conclusions.

The sampling technique applied in this research is purposive sampling, which involves selecting samples based on specific criteria that align with the research objectives and are considered representative of the population. The selected samples are foreign exchange banking companies listed on the IDX during the 2020-2023 period that conducted an IPO prior to 2020. Furthermore, the chosen companies must have complete financial statements for the 2020-2023 period, report profits for four consecutive years, and not experience losses in interest income. Another criterion is that these foreign exchange banking companies must have experienced stock price fluctuations during the specified period. Based on these selection criteria, a total of 20 sample companies were identified for each year over four years, resulting in a total sample size of 80.

The analysis methods employed include descriptive statistics, classical assumption tests, and regression analysis. Descriptive statistics are used to summarize the data through calculations such as averages, minimum, and maximum values without making broader inferences.

Regression analysis is utilized to explore the relationship between dependent and independent variables. Multiple regression incorporates more than one independent variable to predict the dependent variable. The partial test (T-test) evaluates the impact of each independent variable on the dependent variable, while the simultaneous test (F-test) assesses the overall effect of the independent variables. The coefficient of determination (R^2) indicates how well the independent variables explain the variation in the dependent variable.

RESULTS AND DISCUSSION

Research Description

This study aims to investigate the impact of Net Interest Margin and Capital Adequacy Ratio on stock prices of banking sector companies listed on the Indonesia Stock Exchange (IDX) during the period from 2020 to 2023. In this research, Net Interest Margin (NIM) indicated profitability, while the Capital Adequacy Ratio (CAR) indicated solvency.

The sample for this study consists of banking companies listed on the IDX that meet specific criteria. The sampling method employed was purposive sampling, which involves selecting samples based on predetermined criteria. Using this approach, 20 companies that fulfilled the criteria were identified.

Observations were conducted over four years, from 2020 to 2023, resulting in a total of 80 data points used in the analysis.

This research is anticipated to shed light on how Net Interest Margin (NIM) and Capital Adequacy Ratio (CAR) influence stock price fluctuations in the banking sector. The findings of this study may also offer valuable insights for investors, banking management, and other stakeholders in making informed investment decisions and financial policies.

Data Analysis

Descriptive statistics

Descriptive statistical analysis is used to clarify and quantify profitability and solvency ratios in connection with stock prices of banking sector companies listed on the Indonesia Stock Exchange from 2020 to 2023. The aim of this analysis is to present a summary of the data by calculating the average value (mean), standard deviation, and the maximum and minimum values for each variable. The results of the descriptive statistical test can be found in table 4.2.1 below:

Table 4.2.1 Descriptive Statistical Test Results

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
NIM	80	,47	7,70	4,5680	1,38886
CAR	80	10,78	106,10	29,9615	16,03940
HARGA SAHAM	80	3,91	8,57	6,6534	1,12756
Valid N (listwise)	80				

The figure displays a **descriptive statistics table** that summarizes the data for the three variables:

1. The minimum value of *Net Interest Margin* (NIM) of 0.47 occurred in 2020 at the company MAYA (Bank Mayapada).
2. The highest maximum *Net Interest Margin* (NIM) value of 7.70 occurred in 2022-2023 in the company.
3. The minimum value of *Capital Adequacy Ratio* (CAR) of 10.78 occurred in 2023 in the company MAYA (Bank Mayapada), The maximum value of *Capital Adequacy Ratio* (CAR) of 106.10 occurred in 2022 in the company BGTG (Bank Ganesha).
4. The minimum value of the Share Price of 3.91 occurred in 2020 in the BABP company (Bank MNC Internasiomal) and the maximum value of the Share Price of 8.57 occurred in 2023 in the MEGA company (Bank Mega), as well as a standard deviation of 1.12. Stock fluctuations that are not too large indicate that price movements are relatively stable. This could indicate that investors have a fairly positive and consistent perception of bank performance, or that market conditions during the analysis period tend to be under control.

1.1 Multiple Linear Regression Equation

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	,142	,099		1,438	,156
	LAG_LN_NIM	-,071	,066	-,142	-1,080	,285
	LAG_LN_CAR	-,001	,058	-,003	-,022	,982

a. Dependent Variable: ABS_RES

Based on the data above, the regression equation shows as follows:
Y = a + b1X1 + b2X2 + e
= 0.142 - 0.071 LN_NIM - 0.001 LN_CAR + e

The equation shows that :

1. If the NIM value and CAR value are considered constant, the Share Price remains at 0.142 or 14.2%.
2. If the NIM value increases, it will reduce the Stock Price by 0.071. This shows that NIM and stock prices are related and the relationship is not unidirectional.
3. If the CAR value increases, it will reduce the Share Price by 0.001. This shows that CAR and stock prices have a relationship and a relationship that is not unidirectional.

1.2 Hypothesis Test

1.2.1 T test

Table 4.4.2 T Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	,142	,099		1,438	,156
	LAG_LN_NIM	-,071	,066	-,142	-1,080	,285
	LAG_LN_CAR	-,001	,058	-,003	-,022	,982

a. Dependent Variable: ABS_RES

The calculations presented in the table indicate that the significant value for the NIM (X1) variable is 0.285, which is greater than the significance level of 0.05 (0.285 > 0.05). This suggests that NIM does not influence stock prices, leading to the conclusion that the alternative hypothesis (Ha) cannot be accepted (Ha is rejected, and Ho is accepted)).

Similarly, the results show that the significant value for the CAR (X2) variable is 0.982, which also exceeds the significance level of 0.05 (0.982 > 0.05). This indicates that CAR does not affect stock prices, resulting in the rejection of the alternative hypothesis (Ha) and acceptance of the null hypothesis (Ho).

F test

The F test is employed to determine if the independent variables collectively influence the dependent variable within the regression model. In Table 4.4.1, an ANOVA test was performed to assess the significance of the regression model utilized.

Table 4.4.1 F test

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,008	2	,004	,585	,560[b]
	Residual	,366	57	,006		
	Total	,373	59			

a. Dependent Variable: ABS_RES

b. Predictors: (Constant), LAG_LN_CAR, LAG_LN_NIM

The results of the F test indicate a significance value of 0.560, which exceeds 0.05 (0.560 > 0.05). This suggests that, overall, NIM and CAR do not significantly impact the Share Price. Since the significance value is greater than 0.05, the alternative hypothesis (Ha), which posits that the independent variables have a simultaneous effect, cannot be accepted. Instead, the null hypothesis (H0) is accepted, indicating that NIM and CAR do not have a significant effect on the Share Price (Ha rejected, Ho accepted).

Therefore, this regression model indicates that there is no significant relationship between the independent variables and the residuals, leading to the conclusion that there is no issue of heteroscedasticity in this model.

Coefficient of Determination

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,504[a]	,254	,228	,12303

a. Predictors: (Constant), LAG_LN_CAR, LAG_LN_NIM

b. Dependent Variable: LAG_LN_SAHAM

Based on the calculation results from the table above, it shows that the relationship between NIM and CAR with stock prices is relatively small at 0.504 while the R Square value of 0.254 indicates that the Lag_NIM and Lag_CAR variables are only able to explain 25.4% of changes in Lag_SAHAM (stock prices).

From these results, it can be concluded that the Lag_NIM and Lag_CAR factors only have an influence of 25.4% on stock prices, while the remaining 74.6% is influenced by other factors not included in this model. In other words, there are still many other variables outside this study that have more influence on stock prices.

DISCUSSION OF RESEARCH RESULTS

Effect of NIM on Share Price

The findings from the research indicate that the regression analysis reveals that Net Interest Margin (NIM) (X1) does not influence stock prices. This is attributed to the fact that stock prices are generally determined by the overall profits generated by the company, rather than solely by the income derived from interest.

The results of this study are in line with previous research conducted by (Djoko Wijono et al, 2023) which states that the NIM variable has no effect on stock prices. However, it is different from research conducted by (Moh. Saiful Hakiki et al, 2024). which says that the NIM variable has an effect on stock prices.

Effect of CAR on Share Price

The research findings indicate that the regression analysis demonstrates that the Capital Adequacy Ratio (CAR) (X2) does not impact stock prices. This is because stock prices are primarily influenced by the overall profits of the company, rather than just the income from interest.

The results of this study are in line with previous research conducted by (Yanti and Eny Purwaningsih, 2024) which states that the CAR variable has no effect on stock prices. However, it is different from research conducted by (Indra Satria and Iha Haryani Hatta, 2017) and (Eni Istanti, 2022). which says that the CAR variable affects stock prices.

Effect of NIM and CAR Together on Stock Price

The research findings indicate that the regression analysis reveals that neither the Net Interest Margin (NIM) (X1) nor the Capital Adequacy Ratio (CAR) (X2) affects stock prices. This is due to the fact that stock prices are generally influenced by the overall profits of the company, not only from the profit on interest income.

The results of this study are in line with previous research conducted by (Evelyn Wijaya & Amelia, 2017) which states that the NIM and CAR variables have no effect on stock prices. However, it is different from research conducted by (Nureny, 2020). which says that the NIM and CAR variables simultaneously affect stock prices.

CONCLUSION

Based on the findings from the research conducted, the following conclusions can be drawn:

1. The analysis of data from the banking sector for the period of 2020-2023 indicates that the Net Interest Margin (NIM) does not significantly influence stock prices. This is because information regarding banking NIM does not provide meaningful signals for investors when making stock investment choices.
2. The analysis of data from the banking sector for the period of 2020-2023 indicates that the Capital Adequacy Ratio (CAR) also does not have a significant effect on stock prices. This is due to the fact that fluctuations in financial ratios, particularly CAR, do not affect stock price movements.
3. The findings from the banking sector research for the 2020-2023 period demonstrate that neither NIM nor CAR significantly impacts stock prices when considered together. This is because these two factors do not influence stock investment decisions or the fluctuations in stock prices.

Implications

Based on the findings from the research conducted, it can be implied as follows:

1. Improving profitability and operational efficiency by increasing NIM, the Bank can improve profit margins by setting more effective interest rates, managing assets and liabilities efficiently, and improving funding structure to lower costs. Operational efficiency by managing costs more efficiently can increase net profit, which in turn increases investor confidence.
2. Utilize CAR for more productive business expansion with effective capital allocation: If the CAR ratio is high but not fully utilized, banks can allocate their capital to more profitable sectors, such as high-interest loans or investments in financial technology (fintech). Better risk management: Banks with high CAR have the flexibility to expand their loan portfolio, but must still manage credit risk to avoid an excessive increase in non-performing loans (NPLs).
3. Credit Quality Improvement: Ensuring that the bank's loan portfolio consists of risk-controlled loans is crucial to maintaining a strong CAR. In addition, by ensuring healthy loan repayment rates and low levels of non-performing loans, banks can improve NIM. Effectively mitigating market and operational risks will help keep the bank stable and strengthen both ratios.

Limitations

Based on the findings from the research conducted, there are limitations as follows:

1. The object of research is foreign exchange banking companies.
2. Variables consist of NIM (Net Interest Margin), CAR (Capital Adequacy Ratio), and Stock Price.
3. The period studied was 4 years.

Advice

Based on the findings from the research conducted, there are suggestions addressed to future researchers as follows:

1. Can use Islamic banking companies or non-foreign exchange banks for more varied research objects.
2. Can use other variables such as BOPO (Operating Expenses of Operating Income) or NPL (Non Performing Loan) for different and specific results on the stock price of the banking sector.
3. Can reduce the number of years in foreign exchange banking and add a period of 4 years or more in Islamic banking and non-foreign exchange banks because there are fewer banking companies in these categories.

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