AJPDIS GLOBAL RESEARCH NETWORK

AMERICAN Journal of Public Diplomacy and International Studies
Volume 02, Issue 01, 2024 ISSN (E):2993-2157

The Influences of Credit Risk and Liquidity Risk on Stock Returns with Profitability as an Intervening Variable in the Banking Companies Listed on IDX

Ribka Mielly Mandagi
Master of Management Program, Faculty of Economics and Business, Sam Ratulangi University, Indonesia

Ivonne S. Saerang
Master of Management Program, Faculty of Economics and Business, Sam Ratulangi University, Indonesia

Lawren Julio Rumokoy
Master of Management Program, Faculty of Economics and Business, Sam Ratulangi University, Indonesia

Abstract: The performance of the banking sector is one of the key elements in supporting economic growth and increasing national stability. Information published by companies such as company financial reports, financial ratios, banking economic growth can influence investment decisions. This research aims to determine and analyze the influence of dhi banking risk. credit risk (NPL) and liquidity risk (LDR) on stock returns with profitability (ROA) as an intervening variable. The subjects of this research are banking sector companies listed on the Indonesia Stock Exchange in the 2017 - 2021 period with research variables in the form of NPL (X1), LDR (X2), ROA (Z) and Stock Return (Y). The data analysis technique used is the structural equation modeling approach and path analysis with the help of the SPSS AMOS 25 application. The results of this study show that Non-Performing Loans (NPL) have a significant effect on Return on Assets (ROA) but have no effect on Stock Returns; Loan to Deposit Ratio (LDR) has no effect on Return on Assets (ROA) and Stock Returns; Return on Assets (ROA) has no effect on Stock Returns. Return on Assets (ROA) cannot mediate the relationship between Non-Performing Loans (NPL) and Stock Returns and also cannot mediate the relationship between Loan to Deposit Ratio (LDR) and Stock Returns.

Keywords: NPL, LDR, ROA, Stock Return

INTRODUCTION

Background

COVID-19 outbreakwhich has spread throughout the world, or more precisely in 199 countries, has had a significant impact on various aspects, especially in the socio-economic context. The government, as an economic policy maker, has made preventing and handling COVID-19 a top priority, by implementing a policy of limiting community activities (PPKM). The impact of these government measures is not only limited to health, but also includes a slowdown in economic growth, especially in economic sectors. Apart from that, changes in the investment climate in

Indonesia are also affected by this situation.

The capital market acts as an indicator of economic movements in a country. This is a meeting place between companies and other institutions, including the government, which need long-term funds and parties who want to invest. The main function of the capital market is to channel funds from investors to companies to meet long-term funding needs, while providing financial benefits for investors (Tandelilin, 2010). In Indonesia, the Indonesian Stock Exchange (BEI) acts as a capital market supervised by the Financial Services Authority (OJK).

Investment, in this context, is a commitment to inject a certain amount of funds now with the hope of getting profits in the future (Tandelilin, 2010). Investments in financial assets can be divided into direct and indirect investments. Direct investment involves purchasing assets in the money market, capital market, derivatives market, or through direct investment from commercial banks such as savings and deposits. Meanwhile, indirect investment occurs through purchasing securities from investment companies, such as mutual funds (Harmono, 2017). Shares, as proof of partial ownership of a company, reflect management's performance in managing its business. Share prices tend to fluctuate and can be influenced by socio-economic conditions, including the forces of supply and demand, as well as the company's fundamental conditions (Salma, 2017).

Table 1. Average NPL, LDR, ROA and Share Return ratios in banking companies listed on the Indonesian Stock Exchange

Variables	2017	2018	2019	2020	2021
NPLs	3.58	3.53	3.57	3.75	3.26
LDR	84.52	88.34	90.60	86.57	77.65
ROA	1.55	1.20	0.82	0.28	-0.35
Stock returns	32.86	-4.83	42.85	19.38	87.92

Source: Secondary Data, Processed (2022)

Several previous studies, such as that conducted by Parwati and Sudiartha (2016), stated that ROA profitability has a positive and significant influence on stock returns. However, research by Nurazizah, Hermuningsih, and Maulida (2022) states that ROA does not have a significant influence on stock returns.

In this research, the researcher's focus is on credit risk and liquidity risk as independent variables that have an influence on stock returns. This selection is based on researchers' observations of the relationship between post-COVID-19 economic conditions and the world conflict situation, which contributes to high inflation and increased risk of non-performing loans. This condition makes the banking financial sector more vulnerable to these two types of risks.

Based on the problems above, the researcher raised the title: "The Influence of Credit Risk and Liquidity Risk on Stock Returns with Profitability as an Intervening Variable in Banking Companies Listed on the IDX".

Research Purposes

The aim of this research is to understand and analyze:

1. To analyze the effect of credit risk on stock returns.
2. To analyze the effect of liquidity risk on stock returns.
3. To analyze the effect of credit risk on profitability.
4. To analyze the effect of liquidity risk on profitability.
5. To analyze the effect of profitability on stock returns.
6. To analyze the influence of profitability in moderating the relationship between credit risk and stock returns.
7. To analyze the effect of profitability in moderating the relationship between liquidity risk and

stock returns.

LITERATURE REVIEWS

Financial management

According to Atma Hayat et al (2018:3), financial management is defined as fund management, including allocating funds in various forms of investment effectively, as well as efforts to collect funds to finance investment or spending efficiently.

Financial statements

According to Fahmi (2014:31), financial reports are information that describes the financial condition of a company, and furthermore this information can be used as an illustration of the company's financial performance.

Financial Report Analysis

According to Harmono (2017:104), financial report analysis is a comprehensive analytical tool for company financial management. This tool can be used to detect or diagnose a company's health level by analyzing the condition of the company's cash flow or organizational performance, both partially and overall.

Financial Ratio Analysis

Ratio analysis is an analysis method carried out by comparing various estimates contained in financial reports in the form of financial ratios. Through this financial ratio analysis, significant relationships can be revealed between estimates in financial reports, thus providing an evaluation of the company's financial condition and performance (Hery, 2016:20).

Investment

According to Tandelilin (2010:2), investment is a commitment to invest a certain amount of funds now with the aim of obtaining profits in the future. According to Jogiyanto (2010:5) investment is defined as postponing current consumption to be included in the productive asset component over a certain period of time. From the explanation above, it can be concluded that investment is the activity of placing funds during a certain period to gain profits in the future.

Capital market

The definition of the capital market in accordance with Law Number 8 of 1995 concerning Capital Markets (UUPM) is activities related to Public Offerings and Securities trading, Public Companies related to the Securities they issue, as well as institutions and professions related to Securities. The capital market is a means of meeting companies and other institutions (government) that need long-term funds with parties who want to invest. Meanwhile, the place where buying and selling of securities occurs is called the Stock Exchange. The capital market in Indonesia is the Indonesian Stock Exchange (BEI), which in practice is supervised by the Financial Services Authority (OJK).

Stock returns

Return is the value obtained, in relation to stock returns it can be defined as the amount of return, either addition or loss from investment during a certain period. Investors in making investments of course hope to gain profits, both from increases in share prices and from dividends from their investments. Realized return is a return that has occurred, by calculating using historical data. Realized return is important because it is used as a measure of company performance and can even be a reference in predicting risk and return (expected return) in the future. Different from realized return, expected return is the return that investors hope to obtain in the future. (Jogiyanto, 2017:263)

Banking

In Law Number 10 of 1998, banking is everything that concerns the Bank, including institutions, business activities as well as methods and processes for carrying out business activities. Banks are business entities that collect funds from the public in the form of savings and distribute them to the public in the form of credit and/or other forms in order to improve people's living standards. Broadly speaking, a bank is a company whose business activities are in the financial sector (Kasmir, 2013:24).

Banking Performance

Brigham and Ehrhardt (2017) define banking performance as the bank's ability to generate competitive profits in a competitive environment. Banking performance can be measured by analyzing company profits, asset growth and operational efficiency. Apart from that, the Indonesian Bankers Association (2015:29) added that banking performance is also influenced by bank risk which will determine the level of bank health. The level of bank health has been regulated by Bank Indonesia according to Bank Indonesia Circular Letter Number 6/10/PBI/2004 dated April 12 2004, where banks are required to carry out a bank health assessment which includes capital factors, asset quality, management, profitability, liquidity, and market risk.

Return on Assets

According to Hery (2016:106) Return on Assets (ROA) is a ratio that shows how much assets contribute to creating net profit. In other words, this ratio is used to measure how much net profit is generated from each rupiah of funds embedded in total assets. Return On Assets (ROA) can be calculated as follows:

$$\text{Return on Assets} = \frac{\text{Profit after tax}}{\text{Total Assets}} \times 100\%$$

Non Performing Loans

Non-performing loans are all loans to non-bank third parties with substandard, doubtful and bad collectability. Total Credit is credit to a non-bank third party. Non-Performing Loans (NPL) are used by researchers as a proxy to describe credit risk in banks. NPL shows the risk of failure which is related to profitability. A high NPL will increase costs, resulting in potential bank losses.

$$\text{Non Performing Loans} = \frac{\text{Problematic credit}}{\text{Total Credit}} \times 100\%$$

Loan to Deposit Ratio

Loan to Deposit Ratio (LDR) is a ratio that measures bank liquidity in terms of the amount of credit disbursed with third party funds which includes Current Accounts, Savings and Deposits.

$$\text{LDR} = \frac{\text{Total Loan}}{\text{Total third party funds}} \times 100\%$$

Previous Research

Research Model and Research Model Hypothesis

To examine the influence of non-performing loans and loan to deposit ratio on stock returns mediated by job satisfaction, you can see Figure 1 below:

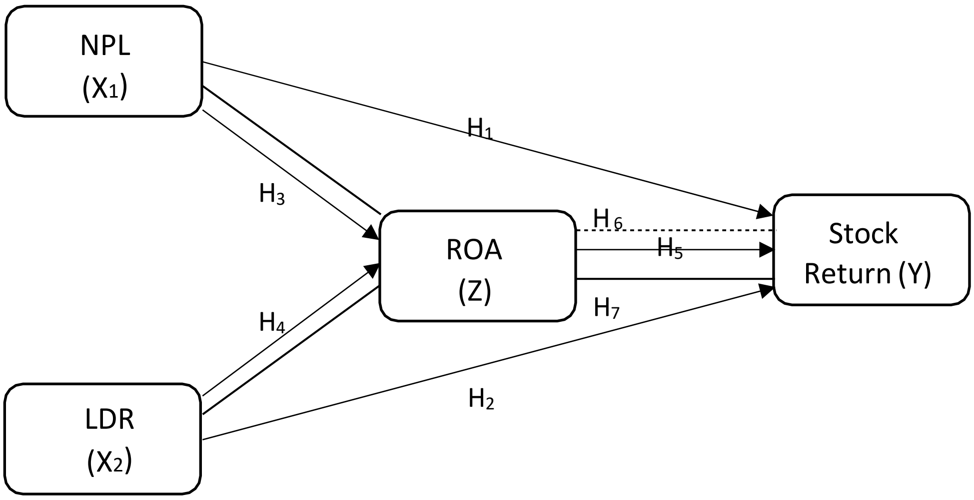

Figure 1. Research Model

Source: Data processing, 2023

Sekaran and Bougie (2017) define a hypothesis as a tentative, testable statement that predicts what is expected to be found in empirical data. Based on the main problems described above, the following hypothesis is presented as a temporary response or conjecture in the context of this research, namely as follows:

H1= It is suspected that credit risk (NPL) has a significant effect on stock returnsbanking.

H2= It is suspected that liquidity risk (LDR) has a significant effect on banking stock returns.

H3=It is suspected that credit risk (NPL) has a significant effect on profitability (ROA)banking.

H4=Liquidity risk (LDR) has a significant effect on profitability (ROA)banking.

H5 = Profitability (ROA) has a significant effect on banking stock returns.

H6 = Effect of profitability (ROA) as an intervening variable between credit risk (NPL) on banking stock returns.

H7 = Effect of profitability (ROA) as an intervening variable between liquidity risk (LDR) on banking stock returns.

RESEARCH METHODS

A quantitative approach is applied with the aim of researching a particular population or sample and testing hypotheses that have been previously formulated (Sugiyono, 2017).

Location and Place of Research

The object of this research is banking companies listed on the Indonesia Stock Exchange from 2017 - 2021, both private companies and state-owned companies.

Research Population and Sample

Purposive sampling is a sampling method that considers certain criteria, in accordance with Sugiyono's opinion (2016:85). The sampling method in this research will use a purposive sampling method, namely a technique for determining samples with certain considerations (Sugiyono, 2015: 84). The population of this research is banking companies listed on the Indonesia Stock Exchange, namely 43 companies. However, those that fit the criteria are 38 companies with 5 years of observation from 2017-2021.

Data analysis

The data processing method in this research utilizes the Structural Equation Modeling (SEM) approach. SEM is a development of path analysis, where the causal relationship between exogenous variables and endogenous variables can be analyzed more thoroughly, as explained by Abdullah (2015).

Analysis TechniquesData

There are two types of data analysis techniques used in this research, namely using descriptive statistical analysis, and the path analysis method with the help of SPSS AMOS 25 software. This AMOS program is used to assist in analyzing data.

RESEARCH RESULT AND DISCUSSION

Normality Test Results

The results of the data normality test are displayed in table 2 as follows:

Table 2. Data Normality

Variables	min	max	skew	cr	kurtosis	cr
NPLs	4122	12310	-0.06	-0.297	0.565	1,407
LDR	21	830	0.695	3,461	-0.014	-0.034
ROA	-276	431	0.059	0.293	-0.061	-0.151
Stock returns	-8559	15275	1,253	6,243	2,401	5,983
Multivariate					**1,484**	**1,307**

Source: AMOS Output, 2023

Normality evaluation was carried out using the critical ratio skewness value and kurtosis value criteria, showing that univariately, namely the asset structure variables profitability, NPL, LDR, ROA and Stock Return have a cr value ≤ 2.58 indicating that all univariate variables are normally distributed (CR ≤ 2 .58).

DiagramPath Analysis

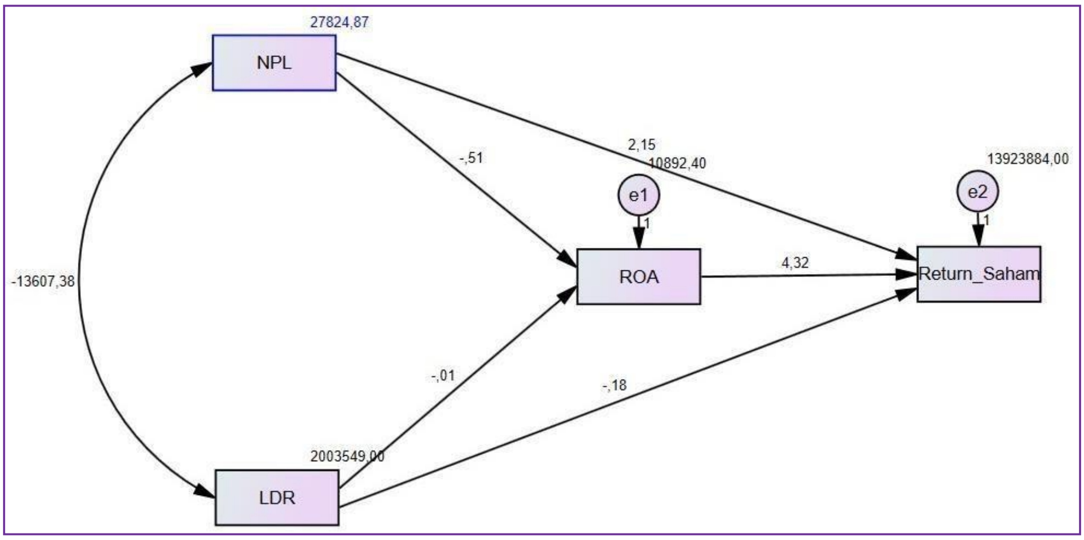

Figure 2. Research Model
Source: AMOS Output, 2023

The parameter testing results were obtained as follows:

Table 3. Regression Weight Model

Variable			Estimate	S.E	CR	P	Information
ROA	<---	NPLs	-0.512	0.052	-9,948	0,000	Negativeand significant
ROA	<---	LDR	-0.007	0.006	-1,146	0.252	Negativeand not significant
Stock returns	<---	ROA	4,316	2,939	1,469	0.142	Positive and insignificant
Stock returns	<---	NPLs	2,150	2,379	0.904	0.366	Positive and insignificant
Stock returns	<---	LDR	-0.183	0.218	-0.841	0.401	Not significant

Source: AMOS Output, 2023

Hypothesis test

Non InfluencePerforming Loan (NPL) Against Return On Assets (ROA)

The results of the regression weight test show that non-performing loans (NPL) have a negative and significant influence on return on assets (ROA), this is indicated by a CR value of -0.512 ≤ 1.659 and a significance value of 0.000 ≤ 0.05. This means that the first hypothesis (H1) which states that non-performing loans (NPL) have a significant effect on return on assets (ROA), H1 is accepted/proven.

Influence of Loan to Deposit Ratio(LDR) Against Return On Assets (ROA)

The results of the regression weight test show that the loan to deposit ratio (LDR) has a negative and insignificant influence on return on assets (ROA), this is indicated by a CR value of -0.007 ≤ 1.659 and a significance value of 0.252 ≥ 0.05. This means that the second hypothesis (H2) which states that the loan to deposit ratio (LDR) has a significant effect on return on assets (ROA), H2 is rejected/not proven.

InfluenceReturn on Assets (ROA) on Stock Returns

The results of the regression weight test show that return on assets (ROA) has a positive and insignificant influence on stock returns, this is indicated by a CR value of 4,316 ≥ 1,659 and a significance value of 0.142 ≥ 0.05. This means that the third hypothesis (H3) which states that return on assets (ROA) has a significant effect on stock returns, H3 is rejected/not proven.

The Effect of Non-Performing Loans (NPL) on Stock Returns

The results of the regression weight test show that non-performing loans (NPL) have a positive and insignificant influence on stock returns, this is indicated by a CR value of 2,150 ≥ 1,659 and a significance value of 0.366 ≥ 0.05. This means that the fourth hypothesis (H4) which states that non-performing loans (NPL) have a significant effect on stock returns, H4 is rejected/not proven.

The Effect of Loan to Deposit Ratio (LDR) on Stock Returns

The results of the regression weight test show that the loan to deposit ratio (LDR) has a negative and insignificant influence on stock returns, this is indicated by a CR value of -0.183 ≤ 1.659 and a significance value of 0.401 ≥ 0.05. This means that the fifth hypothesis (H5) which states that the loan to deposit ratio (LDR) has a significant effect on stock returns, H5 is rejected/not proven.

The Effect of Non Performing Loans (NPL) on Stock Returns Through Return on Assets (ROA)

The results of the Sobel test calculation above get a Z value of -1.45, because the Z value obtained is -1.45 < 1.97 with a significance level of 5%, it proves that return on assets (ROA) is not able to mediate the relationship between non-performing loans (NPL).) on stock returns. So hypothesis 6 (H6) which states that non-performing loans (NPL) have a significant effect on stock returns, H6 is rejected/not proven.

The Effect of Loan to Deposit Ratio (LDR) on Stock Returns Through Return on Assets (ROA)

The results of the Sobel test calculation above get a Z value of -0.91, because the Z value obtained is -0.91 < 1.97 with a significance level of 5%, it proves that return on assets (ROA) is not able to mediate the loan to deposit (LDR) relationship.) on stock returns. So hypothesis 7 (H7) which states that loan to deposit (LDR) has a significant effect on stock returns, H7 is rejected/not proven.

Discussion

The Effect of Non Performing Loans (NPL) on Return onAssets (ROA) of Banking Companies Registered on the IDX in 2017-2021.

Non Performing Loans (NPL)negative and significant effect on Return on Assets (ROA). This means that high NPLs cause a large number of non-performing loans, so that interest income decreases and this also affects the resulting profit which also decreases. Non-Performing Loans have a negative impact on banking profitability, therefore, policy makers need to ensure that the NPL figure does not exceed a certain limit, as set by Bank Indonesia, namely a maximum of 5%. In order to maintain order and reduce the NPL value from year to year, banks need to apply the principle of prudence in providing problem loans.

These results are in line with the research findings of Yudha, Chabachib and Pangestuti (2017) which stated that Non-Performing Loans (NPL) had a negative and significant effect on studies of differences between domestic and foreign banks listed on the IDX for the 2010-2015 period. These results are also in line with the research findings of Dewi and Badjra (2020) which stated that Non-Performing Loans (NPL) had a negative and significant effect on Return on Assets (ROA) in Commercial Banks that were publicly listed on the IDX for the 2014-2018 period.

The Effect of Loan to Deposit Ratio (LDR) on Returnson Assets (ROA) of Banking Companies Registered on the IDX in 2017-2021.

Loan to Deposit Ratio (LDR) has a negative and insignificant effect on Return on Assets (ROA). The size or size of a bank's LDR has no influence on profitability because the size of the credit provided is not supported by good credit quality. Banks can bear greater risks if the bank does not provide credit carefully and there is a lack of control over expansion in lending. External factors such as market conditions and economic risk can influence the relationship between LDR and ROA. Although a high LDR may indicate high lending activity, the results may not directly strengthen ROA if credit risk also increases.

These results are in line with the research findings of Yudha, Chabachib and Pangestuti (2017) which stated that the Loan to Deposit Ratio (LDR) had no significant effect on the difference between domestic and foreign banks listed on the IDX for the 2010-2015 period. These results are also in line with the research findings of Chabachib, Yudha and Udin (2019) which stated that the Loan to Deposit Ratio (LDR) had no significant effect on the study of differences between domestic and foreign banks listed on the IDX for the 2012-2017 period.

The Influence of Return on Assets (ROA) on Share Returns of Banking Companies Listed on the IDX in 2017-2021.

Return on Assets (ROA) has a positive and insignificant effect on Stock Returns. Return on Assets (ROA) is a ratio that measures a company's effectiveness in managing its assets to turn into profits. In principle, high ROA can reflect stable bank profits with good asset quality and effective earnings management. However, in the results of this research, an increase in ROA is considered to be able to encourage an increase in stock returns, but it is not significant. Investors are considered to have confidence that the company's shares will improve even when profitability is not good. In other words, the return on assets (ROA) ratio is less of a consideration for investors as a company's attractiveness so it has no impact on stock returns.

These results are in line with the research findings of Ayam and Wahyuni (2017) that Return on Assets (ROA) has a negative and insignificant effect on stock returns in banking companies listed on the Indonesia Stock Exchange 2008-2012. Meanwhile, these results are not in line with what was found by Hendrianto's research (2021) which stated that Return on Assets (ROA) had a positive and significant effect on the share returns of banking companies LQ 45 Commercial Banks listed on the IDX for the 2015-2018 period.

The Influence of Non-Performing Loans (NPL) on Share Returns of Banking Companies Listed on the IDX in 2017-2021.

Non Performing Loans (NPL) have a positive and insignificant effect on Stock Returns. Non Performing Loans reflect the level of banking credit risk. Credit risk will be faced by banks when customers fail to pay the debt or credit they receive when due. A bank can be said to be healthy from the NPL aspect if the amount of non-performing loans is less than 5% of the total credit disbursed. Non Performing Loans do not have a significant effect on Stock Returns. This shows that the risk of credit failure does not affect investors in investing their capital in a bank. Investors may assess that credit risk can be overcome by a bank's strategy in minimizing credit risk.

These results are in line with the research findings of Ayem and Wahyuni (2017) which stated that Non-Performing Loans (NPL) had a positive and insignificant effect on stock returns. Meanwhile, these results are not in line with what Fordian's research (2018) found that Non-Performing Loans (NPL) had a negative and significant effect on share returns in state-owned banks listed on the IDX for the 2013-2017 period.

The Influence of Loan to Deposit Ratio (LDR) on Share Returns of Banking Companies Listed on the IDX in 2017-2021.

Loan to Deposit Ratio (LDR) has a negative and insignificant effect on Stock Returns. Loan to Deposit Ratio has no effect on stock returns because banks do not use LDR as a basis for consideration in making decisions to channel funds in credit, so it does not affect the rise and fall of returns at the bank. Credit distribution depends on the bank's ability to provide loan funds and customer deposit funds, which is an assessment of the bank's success in achieving positive returns. A high Loan to Deposit Ratio (LDR) can increase the risk of default, and the higher the risk of default, the greater the risk of bankruptcy faced by the bank.

These results are in line with the research findings of Ayem and Wahyuni (2017) which stated that the Loan to Deposit Ratio (LDR) had a negative and insignificant effect on stock returns in banking companies on the Indonesian Stock Exchange for the 2008-2012 period. These results are also in line with the research findings of Fordian (2018) which stated that the Loan to Deposit Ratio (LDR) had a negative and insignificant effect on share returns in state-owned banks listed on the IDX for the 2013-2017 period. Meanwhile, these results are not in line with what Ningrum's (2021) research found: Loan to Deposit Ratio (LDR) has a positive and significant effect on stock returns in the banking sector listed on the Indonesia Stock Exchange in 2015-2020.

The Influence of Non-Performing Loans (NPL) on Stock Returns Through Return on Assets (ROA) of Banking Companies Listed on the IDX in 2017-2021

The results of the Regression Weight Model Path show that the estimated value of Non Performing Loans (NPL) on Return on Assets (ROA) is -0.512 with a standard error of 0.052 and a significance value of 0.000. Then for ROA on Stock Returns, we get an estimated value of 4.316 with a standard error of 2.939 with a significance value of 0.142. Based on the results of the Sobel test calculation, the mediating variable ROA gets a value of -1.45 because the ROA value obtained is $-0.91 \leq 1.97$ with a significance level of 5%, thus proving that Return on Assets (ROA) is not able to mediate the Non-Performing Loan relationship. (NPL) on Stock Returns.

The Effect of Loan to Deposit Ratio (LDR) on Stock Returns Through Return on Assets (ROA) of Banking Companies Listed on the IDX in 2017-2021

The results of the Path Regression Weight Model show that the estimated Loan to Deposit Ratio (LDR) value of Return on Assets (ROA) is -0.007 with a standard error of 0.006 and a significance value of 0.252. Then for ROA on Stock Returns, we get an estimated value of 4.316 with a standard error of 2.939 with a significance value of 0.142. Based on the results of the sobel test calculation, the mediating variable ROA gets a value of

-0.91 because the ROA value obtained is $-0.91 \leq 1.97$ with a significance level of 5%, which proves that Return on Assets (ROA) is unable to mediate the relationship between Loan to Deposit Ratio (LDR) and Stock Returns.

CLOSING

Conclusion

Research was conducted on banking companies listed on the Indonesia Stock Exchange during the 2017-2021 period. In an effort to analyze the impact of credit risk, liquidity risk, and profitability on stock returns, the following conclusions can be drawn:

1. Partially Non Performing Loans (NPL) have a significant effect on Return on Assets (ROA) in Banking Companies on the Indonesia Stock Exchange for the 2017-2021 period.
2. Partially, the Loan to Deposit Ratio (LDR) has no significant effect on Return on Assets (ROA) in Banking Companies on the Indonesia Stock Exchange for the 2017-2021 period.
3. Partially, Return on Assets (ROA) has no significant effect on Stock Returns in Banking Companies on the Indonesia Stock Exchange for the 2017-2021 period.
4. Partially Non Performing Loans (NPL) have no significant effect on Stock Returns in Banking Companies on the Indonesia Stock Exchange for the 2017-2021 period.
5. Partially, the Loan to Deposit Ratio (LDR) has no significant effect on share returns in banking companies on the Indonesian Stock Exchange for the 2017-2021 period.
6. Return on Assets (ROA) is unable to mediate the relationship between Non-Performing Loans (NPL) and Stock Returns in Banking Companies on the Indonesia Stock Exchange for the 2017-2021 period.
7. Return on Assets (ROA) is unable to mediate the relationship between Loan to Deposit Ratio (LDR) and Stock Returns in Banking Companies on the Indonesia Stock Exchange for the 2017-2021 period.

Suggestion

After completing the research, discussion, and formulating conclusions from the research results, the author provides several suggestions related to the studies that have been carried out. These suggestions are presented as useful input and consideration for interested parties, including:

1. For banking institutions, the findings from this research show that Loan to Deposit Ratio (LDR) and Non-Performing Loans (NPL) do not have a significant effect on Stock Returns. Therefore, banks can evaluate credit distribution from third parties and manage the risk of non-performing loans. This aims to reduce the cost of losses on non-performing loans so that the credit distribution portfolio can be adjusted based on the debtor's financial capabilities. Thus, banks can still optimize their performance to gain profits. This increase in profits will influence investors' expectations regarding purchasing bank shares, thereby potentially impacting the share returns obtained by investors.
2. For investors who plan to invest in the capital market, especially in the banking stock sector, when making investment decisions, it is recommended that they consider the Non-Performing Loan (NPL) variable. Although NPLs are a concern, investors should also pay attention to other variables, such as macroeconomic variables, to make more holistic investment decisions.
3. The limitations in this study raise the hope that future research can utilize time series data with monthly periods and apply different data analysis methods. Apart from that, regarding independent variables, it is recommended to consider the use of other financial ratios so that the Stock Return prediction results are more optimal.

REFERENCES

1. Abdullah. 2015.Quantitative Research Methodology. Yogyakarta: Aswaja Pressindo.
2. Ayem S, Wahyuni S. 2017. The Influence of Loan to Deposit Ratio, Capital Adequacy Ratio, Return on Assets and Non-Performing Loans on Stock Returns. Accounting journal. Vol 5(1), 71-87.
3. Dewi KC N, Badjra. 2020. The Effect of NPL, LDR and Operational Cost of Operational Income on ROA. American Journal of Humanities and Social Sciences Research (AJHSSR). Vol 4(7), 171-178.www.ajhssr.com
4. Fahmi, Irham. 2014. Financial Performance Analysis. Bandung: Alphabeta. Fahmi, Irham. 2017. Financial Report Analysis. Bandung: Alphabeta.

5. Fordian D. 2018. The Effect of Bank Health on Stock Returns (Study of State-Owned Commercial Banks Listed on the IDX for the 2013-2017 Period). Scientific Journal of Accounting and Finance. Vol 1(1), 1-13.
6. Chabachib, Yudha and Udin .2019. The Role of Firm Size on Bank Liquidity and Performance: A Comparative Study of Domestic and Foreign Banks in Indonesia. International Journal of Economics and Business Administration. 7(3). 96-105.
7. Ghozali, I. 2016. Application of Multivariate Analysis: Using the IBM SPSS 23 Program. Semarang: Diponegoro University Publishing Agency.
8. Harmono. 2009.*First Edition Financial Management*.Jakarta: PT Bumi Aksara.
9. Harmono. 2017. Balanced Scorecard Based Financial Management.
10. Hayat Atma et. al.2018. Financial Management. Terrain: Madenatera.
11. Hendrianto. 2021. Ability to Fulfill Obligations and Stock Returns with Profitability as an Intervening Variable in LQ45 Banking Companies Listed on the Indonesian Stock Exchange 2015-2018. Journal of Applied Management and Business Sciences. Vol 4(2), 15-30.
12. Henry. 2016. Basic Accounting. Jakarta: PT. Grasindo.
13. Indonesian Bankers Association. 2015. Risk Management 1. First Edition. Jakarta: PT. Gramedia Pustaka Utama.
14. Jogiyanto. 2010. Information Systems Analysis and Design, Fourth Edition. Yogyakarta: BPFE Jogiyanto. H. 2017. Portfolio Theory and Investment Analysis, Eleventh Edition. Yogyakarta: BPFE.
15. Cashmere. 2014. Banks and Other Financial Institutions. Jakarta : PT. Raja Grafindo Persada.
16. Ningrum A. S 2021. Analysis of the Effect of BOPO, NPL, and LDR on Stock Returns Through ROA in the Banking Sector Listed on the Indonesia Stock Exchange 2015-2020. Journal of Social and Technology. Vol 1(10). 1218-1233.
17. Nurazizah, Hermuningsih, and Maulida. 2022. The Influence of Profitability, Liquidity and Solvency on Stock Returns in Banking Companies Listed on the Indonesian Stock Exchange. Journal of Economics and Management. Vol 19(2). 327-337.
18. Financial Services Authority. 2016. Financial Services Authority Regulation Number 18/POJK.03/2016 Implementation of Risk Management for Commercial Banks. Jakarta: Financial Services Authority.
19. Parwati and Sudiartha. 2016. The Influence of Profitability, Leverage, Liquidity and Market Valuation on Manufacturing Company Stock Returns. Udayana University Management E-Journal. Vol 5(1). 385-413.
20. Salma, DA 2017. The Influence of Activity Ratios, Profitability, Liquidity and Solvency on PT Sharia Share Prices. Unilever Indonesia Tbk. UIN Satu Tulungagung Thesis.
21. Sekaran, U., Bougie, R. 2017. Business Research Methods. Edition 6. Jakarta: Salemba Empat. Sugiyono. 2015. Combination Research Methods (Mix Methods). Bandung: Alphabeta.
22. Sugiyono.2017. Statistics for Research. Bandung: Alphabeta.
23. Susilawati S, Nurulrahmatiah. 2021. The Effect of Non-Performing Loans (NPL) and Loan to Deposit Ratio (LDR) on Return on Assets (ROA) with Net Interest Margin (NIM) as a Mediating Variable in State-Owned Banks Listed on the BEI. Maxpreneur Journal. Vol 11(1), 69-89.
24. Tandelilin, E. 2010. Portfolio and Investment: Theory and Application. First Edition. Yogyakarta: Kanisius.

25. Yudha et al., 2017. Analysis of the Effect on NPL, NIM, Non Interest Income, and LDR, Toward ROA with Size as Control Variables (Differences Study on Demostic and Foreign Banks Listed on BEI Period 2010-2015). Journal of Business Strategy. Vol 26(2). Pg 100-113.