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THE INFLUENCING OF INTERNAL AND EXTERNAL FATORS ON SHARE RETURN (CASE STUDY ON BANKING GO PUBLIC IN INDONESIA)

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Abstract

The purpose of this research is to examine the various factors that can affect operational efficiency and it impacts on share return in banking companies listed on the Indonesia Stock Exchange during 2015 and 2020 years. Theoretical basis of a bank's efficiency can mitigate and control operating cost to operating income, include to share price/return that can be affected by internal factors such as capital adequacy ratio, loan-to-deposit ratio, and net interest margin; and external factors as though macroeconomic indicators like inflation rate and exchange rate. The research method used linear multiplier regression by conducting various tests, including descriptive statistics, determination, regression equation, hypothesis, and implication tests. This study finds that the Capital Adequacy Ratio (CAR), Loan-To-Deposit Ratio (LDR), Inflation rate and Exchange rate have a significant effect on share return, whereas Operating Cost to Operating Income and Net Interest Margin have not an influence on Share Return. The research's usefulness is terribly important for several sides include managers, companies, and policymakers interested in addressing banking business operations and improving financial performance and mitigation strategies. The study highlighted that operating efficiency is not only related to internal factors but also external factors, hence it might be obtained of competitive advantage. Otherwise, this study has limitations, the parties including internal and external factors, as well as the research period, can be expanded for future researchers.

Keywords: **Share return, operating efficiency, loan-to-deposit ratio, net interest margin, inflation, and exchange rate.**

1. INTRODUCTION

Recently, in Indonesia, the capital market has become a general market that is increasingly by various social groups and income levels. In 2017, there were approximately 500,000 investors. Then, almost 3.88 million will be there in 2021, which has increased significantly. (FSA. 2019). Amongst all business sectors listed on the Indonesian Stock Exchange (IDX), banking has the highest capitalization value. This indicates that investors are very interested in having their funds invested in that sector. Most stock prices and returns tend to grow positively (capital gain) during the research years of 2015–2020. There are some factors suspected to have caused the propensity, including operating efficiency. When a company becomes efficient, it is able to maximize its income and profits, which increases investor confidence in investing. In banking sector can be developed in such a way to provide and promote the economic development of the country (Husein Qassem Zahraa, et.al. 2022). The Operating Costs to Operating Income (OCOI) is a common metric used to assess a bank's efficiency or ability to control costs and operational income to operating income (Mudrajad & Suhardjono, 2002). In Pandia Frianto (2012) states the operating efficiency ratio is used to measure the ability of bank management to control operating costs to achieve operating income. When OCOI is high, operating expenses are greater than operating income. Regarding to signal theory, the content of information can be used as a signal by investors (Spence Michael. 1973). If OCOI tends to come down, it can affect investor confidence and drive

more interest in buying banking shares, because the higher the OCOI ratio, the more efficient the banks are. By Indonesian government regulation (FSA. 2016) stated that the ratio has a standard not exceeding 90%. Most of banking list in IDX achieve the appropriate measurement. The OCIO can then influence investor perceptions in investment decisions. Some internal factors include asset turn over, capital adequacy ratio, loan-to-deposit ratio, and net interest margin including external factors such as inflation rate and exchange rate suspected of having determinants of OCOI and implicated in market share.

A higher ratio can portray the bank's ability to anticipate non-performing credit risk. In Suprapto et al (2019) conducted a study on public commercial banks finding that CAR has a significant effect on share return. Khatijah Siti et al. (2020) discovered that CAR has a significant effect on share return for 43 commercial banks listed on the IDX. But, in Dian Fordian (2018) states that there is no effect of CAR on stock returns. The LDR is used to measure the performance of banking intermediation and as an indicator of liquidity quality. Furthermore, in research by Ningrum Siti Aisyah (2021) & Rintistya Kurniadi (2012) concluded that there is an effect of LDR on stock returns. It is not similar to Azhar Al (2013) & Novita Florianty et al. (2016) which stated that there is no effect of LDR on stock return. The bank's productive assets cannot generate interest income properly it will affect the value of operating income thus the achievement will be problematic. The study by Kurniadi Rintistia (2012) on commercial bank companies listed on IDX, partially NIM has a positive effect on stock returns. Then, Silvi Reni Cusyana & Suyanto (2014), Lilik Ayu Ratnasari et al. (2021) proved that there is a significant effect of inflation on share returns. The high inflation will raise the prices of goods and weaken investor purchasing power. It is a result of using foreign currency to conduct export-import transactions. Instead, in Aron Marsondang, et al. (2019), Linne Gracellah Sheryl Karnoto (2021) & Muhamad Azhar Rifky (2020) concluded that there is no effect of exchange rate on stock price.

Observing the above phenomenon, this research problem stems from the fact that most banking stock prices and returns have been trending positively, including the achievement of prominent market share, and various related variables, it is fathomed that various factors can be determined by internal and external factors, as well as the inconsistency (gap) amongst preceding research results, encouraged us to carry out this study, In line with the foregoing, the purpose of this research is to investigate the factor influencing on share price market on go public banking companies listed in Indonesia Exchange in 2015 – 2020 years.

This paper is organized as follows: the following section presents literature review, prepare the material and methodology, examines the results and discusses them, lastly draws the final conclusion.

2. LITERATURE REVIEW

The stock return and operational efficiency as well as related determinant factors such as capital adequacy ratio, loan-to-deposit ratio, net interest margin, technological innovation, and macroeconomic factors such as the exchange rate and inflation rate. In a signal concept, the company gives clues to investors on how management views the company's prospects. What does management have to do to realize the owner's volition? (Brigham et al. 2011) A bank's provision of information, including financial statements, is critical because it can influence investors' willingness to invest. According to Jensen and Meckling (1976), the relationship between agency theory and the company's financial performance is expanding and will send a positive signal to investors or shareholders. If the company provides valid information to shareholders, it will build their trust in the company. Some models can be used to assess an investing business in the capital market, such as financial performances involving risk and return. The purpose of making an investment is to earn profits with varying degrees of risk. Ahmad Tarmizi (2003) stated that in investment, risk is always associated with the variability of returns that can be obtained with securities. According to Fama Eugene (1997), the theory of market efficiency describes a capital

market in which security prices reflect all available information, including internal efficiency, which can influence stock market prices when transaction costs of trading securities are lower. Investors use a combination of technical and fundamental analysis to make a decision. According to Hery (2017), a company's value can be interpreted as an investor's perception of the board of management's ability to manage trusted resources.

In Azis et al. (2015) said that there are two kinds of shares, like common and preferred stock. Weygandt et al. (2014) state that there are several factors that can influence stock price changes, including the amount of cash dividends, profit obtained, and earnings per share. Horne et al. (2012) mention that a share return is both an income received and a capital gain. The returns can influence investors to invest their funds in the capital market (Brigham & Houston, 2015). Gitman & Michale (2010) mention that stock returns can be interpreted as cash payments due to ownership of shares. The main purpose of investors is to get a return, including capital gains and dividends. In addition, some approaches can be used to measure share return, such as Stock returns as a market price difference, and Stock return calculated as a difference in market price plus yield receipts

. Efficiency can be divided into three categories: technical efficiency (operational), economic efficiency, and price efficiency (Farel M.J. 1957). That will increase as productivity costs decrease, assets are better managed, and financial performance improves (Mudrajat & Suhardjono, 2002). The purpose of measuring efficiency is to optimize the productivity of activities. To achieve operational efficiency, the utilization of resources must be optimized so the output exceeds the input used (Kumbhakar, 2020). Wheeclock & Wilson (1999) stated that banking efficiency is a measure of the condition of banking operations and an indicator of the achievement of an individual bank's performance. There are some banking efficiency measures, namely: cost-efficiency, alternative profit efficiency, and standard profit efficiency. Banking efficiency is also classified by scale, scope, allocation efficiency, and technical efficiency (Sumarsih, 2017). Banking operating efficiency can be measured by comparing total operating expenses to operating income (Dendawijaya & Lukman, 2009). In Rafael Diego Nogueira Diego, et al. (2020), finds that some companies considered as developers of reverse innovation products that were characterized by type, size, date of foundation, country of origin, industry and core business into driving efficiency.

According to Dendawijaya & Lukman (2009), the Capital Adequacy Ratio (CAR) is to measure the bank's risk assets, consisting of investments, credit, claims on other banks, and financial securities. It is an important factor in business development and anticipates the risk of loss (Darmawati & Herman, 2011). Bank Indonesia stipulates CAR as a minimum capital adequacy requirement that must be maintained by a bank as a certain proportion of the total risk-weighted assets (RWA). According to Mia Lasmi Wardiah (2013). Bank capital must adhere to internationally accepted guidelines established by the Bank for International Settlements and/or the Central Bank of Indonesia. The rate of the ratio is 8% based on the Basel Committee on Banking Supervision (BIS) (2006). Concerning Indonesian bank regulation, the minimum capital adequacy requirement is set in the risk profile at the lowest: rating 1 is 8% of risk weighted assets (RWA); rating 2 is 9% to 10% of RWA; rating 3 is 10% to 11% of RWA; and rating 4 or 5 is 11% to 14% of RWA (PBI No. 10/15, 2008). For investors, CAR can be used to consider an investment. When the ratio gets better, it will affect the efficiency achievement.

Schumpeter (1939) states that financial intermediation is based on the cost of producing information to solve an intensive problem. Banks have a comparative advantage regarding debtor credit information (Beaver et al., 1976). According to Matthews and Thompson (2008), it is a system where surplus units deposit their funds through financial institutions such as banks, which then lend them to deficit units. The loan to deposit ratio (LDR) compares the total loan to deposit. The lower limit is 78%, and the upper limit is 92%–100% (PBI, No. 15, 2013). This ratio can also assist investors in making decisions.

Productive assets can describe the company's performance and impact profitability (Sinungan & Muchdarsyah, 2003). For the banking business, some kinds of earning assets include disbursed credit, financial securities, and other investments. Net interest margin (NIM) is the ratio of net interest income to average earning assets, which indicates the ability to achieve net interest income by using productive assets (Taswan, 2010). This ratio is used to measure the ability of a bank to manage productive assets to obtain net interest income. This can be used to gauge a bank's profitability and effectiveness (Sadono Sukirno, 2011). That ratio is an indicator of effectiveness in managing the bank's productive assets.

Regarding to Keynes's theory (1946), inflation can occur when a group of people wants to live beyond their economic capacity by buying goods and services in excess. In accordance with the law of economics, the more demand with fixed supply, the prices will rise. By A. Mc. Eachern William (2000), states that inflation is a condition in which price increases occur continuously at the level of a price in the market in general. If the price level fluctuates, this condition is not included in a form of inflation. The inflation rate is a measure of changes in the nominal value of a currency against its object of exchange. With inflation, the nominal value of the currency against the object of exchange becomes reduce, this results in the user of money having to issue a larger nominal to obtain an item or product. In short, inflation is the tendency of prices to increase in general and continuously (Gregory & Mankiw, 2006).

Furthermore, by Fabozzi & Modigliani (1995), defines currency exchange rates as the amount of a country's currency that can be exchanged per unit of another country's currency. It is the price of the value of a country's currency against another country, and is carried out for exchange transactions used in conducting trade transactions, the exchange rate between two countries where the exchange rate is determined by the supply and demand of both currencies. Then, by Blanchard & Olivier (2006). states: "Nominal exchange rate as the price of the domestic currency in terms of foreign currency", meaning that the nominal exchange rate is the price of the domestic currency against foreign currencies. In Nopirin (2012), the exchange rate is the price in the exchange of two different currencies, there will be a comparison of the value or price between the two currencies, this comparison of values is called the exchange rate.

3. RESEARCH METHOD

This study uses a quantitative approach where each variable and the relationships between variables are based on a quantitative measurement scale. The secondary data was obtained through the websites of 27 banking companies in the 2015–2020 years. All the data employed consists of time series and cross-sectional data from the banking companies studied. This research involves the submission of hypotheses related to the effects of independent variables on the dependent variable. As mentioned, several independent variables are CAR, LDR, NIM, Inflation, and Exchange rate. While, dependent variable is stock return and operational efficiency.

Operational variables.

Table 1: Operation variables

No	Variables	Concepts	Measurements	Scales
	Share Return	A stock return is an indicator that assesses the exchange of stock prices and explains the return obtained of market value shifted.	Percentage of stock value distinction (Jogiyanto (2014)	Ratio
	Operation Efficiency	The level of a bank's efficiency and capability in conducting operations activities can be gauged by comparing total operating costs to total operating income.	OCOI = Operating Costs to Operating Income (Dendawijaya, 2009)	Ratio

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	Capital Adequacy Ratio	A Capital Adequacy Ratio is a minimum capital provision based on assets and risk weight	CAR = Total Capital to risk weighted assets. (Darmawati, 2011)	Ratio
	Net Interest Margin	Net Interest Margin is a measure of net interest income by using the productive assets.	NIM = Interest income to Productive assets (Taswan, 2010)	Ratio
	Inflation Rate	The indicator describes the tendency of the general price level of goods and services to increase in the market	Inflation = Price Index – Price index/ Price Index x 100%	Ratio
	Exchange Rate	The exchange rate of the rupiah against the United States dollar	Exchange Rate = ER2 – ER1 / ER1	Ratio

Source: Prepare by Author

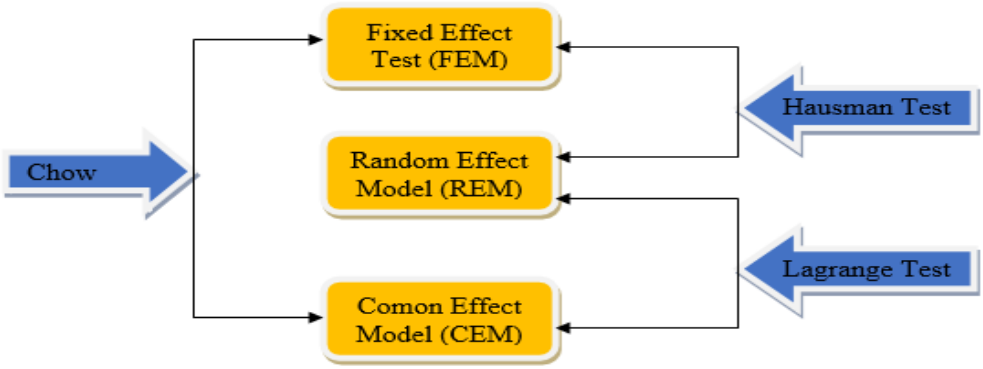
Data Collection

This research will focus on go-public banking companies listed on the Indonesia Stock Exchange (IDX) and use secondary data obtained from the banking annual reports and IDX in the 2015–2020 years, which have been published online.

Data analysis method.

This study uses the panel data regression analysis method. In determining the appropriate analysis, we used ordinary least squares (OLS) to choose the best model among the common effect model, fixed effect model, and random effect model (Adjie Nahrowi et al. 2006). The Chow test, Hausman test, and Langrage test were conducted to find out the best model. Eviews software application programs were used.

Figure 1: Research model selection



Source: Prepare by Author

4. RESULTS AND DISCUSSION

RESULTS

Statistical Description.

In this study, the description of data includes mean, median, maximum, minimum, standard deviation, skewness, kurtosis, Jarque-Berra statistics, and a p-value. A total of 161 observations were made with a cross-section of 27 companies in 6 years (Table 2).

Table 2: Statistic descriptive research variables in the 2015–2020 periods

	SR	OCIO	CAR	LDR	NIM	INF	ER
Mean	0.065025	0.810738	0.250506	0.824175	0.050638	0.029169	0.022438
Median	0.041000	0.833500	0.211000	0.862000	0.049000	0.031000	0.011500
Maximum	1.114000	1.194000	1.171000	1.135000	0.095000	0.036000	0.109000
Minimum	-0.441000	0.189000	1.131000	0.042000	0.011000	0.017000	-0.041000
Std.Dev.	0.240538	0.163594	0.179105	0.161761	0.017432	0.006120	0.052232
Skewness	0.068295	-1.757648	1.364123	-1.503070	-0.092633	-1.058955	0.457754
Kurtosis	5.163968	8.12414	22.26984	6.919961	3.232328	2.968562	1.878415
Jarque-Bera	31.34276	25.74275	298.3394	62.16865	10.58865	29.91021	13.97405
Probability	0.000000	0.000000	0.000000	0.000000	0.145029	0.000000	0.000924
Sum	10.40400	12.97180	40.08100	131.8680	8.102000	4.667000	3.590000
Sum Sq.Dev.	19.19954	4.255305	5.100492	41.60473	0.048317	0.005954	6.433783
Oberservation	162	162	162	162	162	162	162

Source: Output Eviews

The following is the explanation of the statistical description in Table 2:

In 2015, the lowest minimum share return of 0.4410 was owned by Bank QNB Indonesia, while the highest was 1.1140 achieved by Bank Capital Indonesia, with an average value (mean) of 0.0650 and a median of 0.0410. For the OCOI variable, the minimum value in 2016 was 0.189 at Bank CIMB, and the maximum was 1,194 at Bank Sinar Mas in 2019, with an average value of 0.8107, a median of 0.8335, and a standard deviation of 0.1635. If referring to PBI, Number 15/3, 2018, where the OCOI amount is around 92%, it can be concluded from the average value (mean), which can also be seen in attachment 2 of this dissertation, that most banks are in the normal range, especially in 2018 because it's the lowest. So, it can be said that all the banks studied are in a controlled and good ratio range. For the CAR variable, the maximum value is 1.1173, which Bank Sinarmas obtained in 2019, and the minimum value is 0.1310, which Bank Mayapada obtained in 2015, with an average value of 0.2505 and a median of 0.2110. Standard deviation: 0.1791. The higher this ratio, the better the condition of a bank's capital. In the provisions of the Minimum Capital Adequacy Requirement, it is stated that banks are required to provide a minimum capital of 8% of risk-weighted assets (RWA). Hence, referring to the Bank Indonesia Regulation, which determines a minimum CAR ratio of 8%, it can be concluded that over all the 27 banks studied have good CAR performance. For the LDR variable, the maximum value in 2019 is 1,135, which was obtained by the State Savings Bank. Meanwhile, the minimum value of 0.0420 in 2020 was obtained by the National Pension Savings Bank, with an average value of 0.8241 and a median of 0.8620, with standard deviation was 0.1617. In accordance with the Bank Indonesia Regulation concerning the LDR demand deposit of conventional commercial banks and in accordance with the specified categories. For the NIM variable, the maximum value of 0.0950 was obtained by Maspion Bank in 2017, and the minimum value of 0.0110 was obtained by the National Pension Savings Bank in 2015, with an average value of 0.0506 and a median of 0.0490, and standard deviation was 0.1617. Based on the rules contained in Bank Indonesia Regulation No. 10/15 (PBI, 2008), the NIM ratio limit is above 6%. The greater this ratio, the higher the interest income on earning assets managed by the bank, so that the possibility of a bank in a problematic condition is getting smaller. The inflation rate has a minimum value of 0.0170 (1.70%) and a highest value of 0.0360 (3.60%). With a median value of 0.0310, the average (mean) inflation rate is 0.0291. During 2015–2020 years, the inflation rate was below the maximum limit of 5%, which was maintained and targeted by the Minister of Finance and Bank Indonesia. Then, for the exchange rate change variable, it can be seen that the minimum average value of the Indonesian rupiah against the United

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States dollar is 0.1090, with a minimum change value of -0.041, an average value of 0.0224, and a median of 0.0115. Standard deviation: 0.0522.

Statistical analysis of determinants of share return

To select the compatible model, research model determinant of share return, a best model was obtained, namely the common effect model (Table 4).

Table 3: The summary of selecting the best research model

Type of tests	Results	Selected
Uji Chow (FEM vs CEM)	Cross Section Chi Square 0.4159 > 0,05	Common Effect Model
Uji Hausman (FEM vs REM)	*Cross Section Chi-random* 0.0003 < 0,05	Fixed Effect Model
Uji Langrage Multiplier (REM vs CEM)	Cross Section Breusch Pagan 0.3596 > 0,05	Common Effect Model
Conclusion		**Common Effect Model**

Sources: eviews output

Table 4: Common Effect Model

Dependent Variable: SR
Method: Panel Least Squares
Date: 10/10/22 Time: 16:40
Sample: 2015 2020
Periods included: 6
Cross-sections included: 27
Total panel (unbalanced) observations: 162

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.925882	0.863977	2.098048	0.3220
OCOI	-0.143823	0.180470	-0.796939	0.4267
CAR	**0.518670**	**0.372859**	**2.321850**	**0.0253**
LDR	**-0.345025**	**0.662921**	**-2.109153**	**0.0418**
NIM	1.288698	0.714262	0.751751	0.4534
INF	**1.191976**	**1.914978**	**2.925190**	**0.0065**
ER	**-2.157872**	**1.247621**	**-3.056808**	**0.0009**

R-squared	**0.691370**	Mean dependent var	0.020789
Adjusted R-squared	**0.684150**	S.D. dependent var	0.135332
S.E. of regression	0.412120	Akaike info criterion	0.071691
Sum squared resid	13.84746	Schwarz criterion	0.059160
Log likelihood	26.17503	Hannan-Quinn criter	-0.747786
F-statistic	8.543765	Durbin-Watson stat	2.069006
Prob(F-statistic)	0.000029		

Source: Output Eviews

Linier regression equation

In a linear regression equation, panel data is used to find the coefficient values of independent variables. This analysis as a panel data regression estimation model was carried out to see the effect of OCOI, CAR, LDR, NIM, inflation, and exchange rates on share return. Regarding table 5, the regression equation is obtained as follows:

RS = 0.9258 – 0.1438OCOI + 0.5186 CAR - 0.3450 LDR + 1.2886 NIM + 1.1919INF – 2.1578ER

Interpretation:

The constant value () is 0.9258, which indicates that if the value of the other variables is 0, SR will remain at 0.9258. The coefficient value of OCIO is then - 0.1438, assuming all other variables are constant except OCIO; thus, every 1% change in SR reduces the SR by 0.1438%.Likewise, we can see the coefficient of CAR of 0.5186, and assuming the value of all other variables remains constant except CAR, every 1% change in CAR will increase SR by 0.5286%. The same logic can be applied to the other variables.

Hypothesis test results.

According to table 4, the estimation of panel data regression with the Random Effects Model demonstrates that CAR and INF have a significant positive effect on SR, while LDR and ER have a significant negative effect on SR. The variables LDR, and NIM do not have a significant effect on SR. Simultaneous results (F-test) with a probability value of 0.000 indicate that all independent variables have an effect on SR simultaneously. Then, from the results of the goodness of fit test, it shows the coefficient of determination R2 = 69.13%, which means that all independent variables (CAR, LDR, NIM, INF, and ER) can explain the SR of banks. Meanwhile, 30.87% is explained by other factors not examined in this study. Furthermore, the value of the adjusted coefficient of determination (adjusted R-squared) is 0.6841, which means that after considering the degrees of freedom of all variables included in the research model, all independent variables used in this study are able to explain variations of that efficiency ratio of banking companies at 68.41%.

DISCUSSION

Based on the findings and explanations above, it can be concluded that the CAR variable has a significant effect on stock returns. This is possible because the inclination of share price movement mostly refers to the achievement of CAR. Investors pay more attention to this ratio as a main indicator of the financial performance of the banking industry, although they can't rule out the other factors. that are often used as a reference when making an investment decision. It is hoped that the management will continue to maintain the CAR ratio at or above 8% in relation to capital risk in accordance with the government's regulation. This finding is supported by several previous studies, namely those by Rintistya Kurniadi (2012), and Dian Fordian (2018). However, this is not in accordance with the results of the studies conducted by Suprapto (2019), Florianty Novita, and Miss Jane Onoyi (2016). with the object of conducting research on commercial bank companies listed on the IDX.

The other result stated that there is a negative effect of the LDR ratio on stock returns. Regarding this ratio's formation by the total amount of credit and customer deposits, it could influence the perception of investors. If banks were unable to collect their loans and disburse funds as credit, this could result in idle money and disrupt banking liquidity. Therefore, this condition will be a signal that it is not good for banking financial conditions, which will have a negative effect on stock prices. The findings of this study are consistent with those of Rintistya Kurniadi (2012), Kadek Ayu Supratini and Ni Luh Gede Erni Sulindawati (2021), who used the same research objects on commercial banks listed on the IDX.

During the research period, Indonesia's inflation inclination was under control and stable. By motivating investors to invest is a signal that can influence investor behavior. In general, they invest in market capital after primary needs are met. It is expected that banking management will continue to pay close attention to the economy of bank customers in order to keep market prices and stock returns stable. The results of this study are in line with previous studies conducted by Adiyadna Luh Gede Sri Artini & Henny Rahyuda (2016) with research on commercial bank companies listed on the IDX. While this is different from the study by Seni Andriyan & Susanti Widhiastuti, (2020), which was conducted on commercial bank companies listed on the IDX.

In addition, the empirical findings revealed the exchange rate has a negative and significant effect on share returns. Tendency of the exchange rate can be influenced and determined by currency demand and supply in the money market. The foreign exchange fluctuations can influence investor perception. When a currency weakens against a foreign currency, it will make the share price weaken or decrease. This study is in line with the research of Seni Andriyani & Susanti Widhiastuti. (2016), and Nurlina (2017) on public banking companies listed on the IDX. However, the outcome does not correspond to the research by Ryfki Muhamad Azhar (2020), with the subject of research carried out on IDX-listed banking companies

As a result, OCOI, and NIM have no effect on share return. As known, this ratio formulation involves various elements of operating costs and operating income, which, during the research period, are at a certain limit in accordance with government regulations. As a result, it has no effect on the performance of the stock return market because investors will not pay attention. NIM, on the other hand, has no effect on stock return. This ratio, which is determined by net interest income obtained by using productive assets, can indicate the performance of utilizing the productive assets in situations where investors are not using it as a signal to make an investing decision.

From the results of hypothesis examines and explanations described above, it can be concluded that NIM has no effect on stock returns, although the direction of change is indicated to be positive, but it is not significant. As is known, stock returns are the results obtained by investors due to the difference between market value (selling) and acquisition value (buying). However, from these findings, it is hoped that the banking management will continue to pay attention to the achievement of a good NIM ratio by utilizing all existing productive assets to provide interest income.

5. CONCLUSION

This study extends previous studies of determinants of share return. The findings CAR, LDR, inflation, and exchange rate have a significant effect on share return. On the other side, OCOI and NIM have no significant effect on share return. The findings are important for managers, companies, and policymakers interested in addressing banking business operations and improving financial performance and mitigation strategies. Therefore, managers are recommended to implement and evaluate those factors continuously. We acknowledge this study has some limitations, including not covering the operating efficiency of the traditional approach by OCOI, instead using non parametric Data Envelopment Analysis (DEA). Then, these companies research periods are relatively limited, so those findings may not generalize to overall banking. The variables used related to operating efficiency and share price might not be perfect constructs. However, to the best of our knowledge, it is the only available proxy for valuing financial performance for our sample companies. Therefore, we can argue that while it is not the only way that the variables can be conducted, indeed it seems to be a relatively reliable proxy for this study. While Share returns account for potential endogenous factors, our findings may not be generalizable. It is recommended to add the research periods and proactive mitigation includes paying greater attention to banking performance.

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