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Analysis of financial ratios as determinants of stock price changes

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ABSTRACT

Focusing on banking companies listed on the IDX from 2021 to 2025, this study aims to analyze the impact of the LDR, NPL, NIM, and CAR on their stock prices. A panel data regression model and a quantitative methodology are used in this investigation. 41 businesses that satisfied the requirements during the study period were chosen using the purposive sample technique; as a result, the dataset had 205 data points. The findings show that whereas CAR significantly and favorably affects stock prices, LDR, NPL, and NIM have no influence. The variables examined in this study were restricted to LDR, NPL, NIM, and CAR, and cannot yet be applied to the whole banking sector, among other constraints. In order to present a more complete picture, future study is urged to incorporate more factors and prolong the observation duration.

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1. INTRODUCTION

One of the industries that is essential to the Indonesian economy is the banking sector. Banks are permitted by Law No. 10 of 1998 on Banking to receive deposits from the general public and then use those monies to fund loans or other initiatives that enhance the community's standard of living. Because banks are not only financial intermediaries but also one of the industries with the highest market value on the Indonesia Stock Exchange, investors often monitor their financial performance. Strong financial performance by banks can boost investor confidence in investing their capital, as it reflects sound corporate management and offers the prospect of an adequate return on investment (Permana et al., 2022). Consequently, information regarding a bank's financial performance may affect the movement of banking company stock prices as well as investors' investment decisions.

According to Nugraha & Artini (2022), stock prices are one indicator that reflects investors' assessments and interest in investing based on a company's performance and futureprospects. Astuti et al. (2024) assert that supply and demand for the stock itself have a major role in determining stock prices. When there is surplus supply, stock prices often decline, and when there is excess demand, they typically rise. Investors are more inclined to buy shares when they have a positiveopinion of the company'sstate, which raisesthe stock price. On the other hand, the stock price usually declines if investors believe the company's prospects are poor.

The national banking industry's stock values have changed between 2021 and 2025, despite the sector's overall health being generally constant. Otoritas Jasa Keuangan (2025) reports that Indonesia's banking sector has demonstrated good credit growth, with the NPL ratio remaining below the regulatory maximum limit of 5% and the CAR significantly above the pertinent minimum requirement. However, despite this generally strong banking sector, thestock prices of banking

businesses listed on the IDX have not continuously increased. This occurrence suggests that more investigation is required into how financial ratios affect banking companies' stock prices.

A company's financial performance and state are assessed using financial ratios (Kasmir, 2015). Putri & Yustisia (2021) state that financial ratios can be used to evaluate a company'sfinancial performance. The selection of LDR, NPL, NIM, and CAR is based on the premise that these ratios reflect different aspects of a bank's financial condition that are relevant to investors' assessment of banking performance. Banking performance is primarily evaluated through indicators related to liquidity, credit risk, profitability from core intermediation activities, and capital adequacy. Accordingly, LDR reflects liquidity management and the effectiveness of the bank's intermediary function, NPL measures credit risk and asset quality, NIM indicates the bank's ability to generate interest income from its earning assets, and CAR reflects the bank's capital strength in absorbing potential losses.

One of theratios frequently used to assess a bank's performance, especially to determine its liquidity, is the LDR, which displays the percentage of a bank's funds allocated to lending (Pertiwi & Sarbullah, 2021). The bank's liquidity will decline if this ratio rises. On the other hand, better bank liquidity is indicated by a decrease in the LDR (Mulyani & Manunggal, 2023). Studies conducted by Effendy et al. (2023) and Inggo et al. (2026) show that the LDR significantly affects stock prices. However, studies by Fadilah et al. (2024) and Astuti et al. (2024) found that the LDR does not significantly affect stock prices.

When evaluating banking performance, investors often place a high value on credit quality. The NPL ratio, which shows the percentage of NPL held by a bank, can be used to gauge credit quality. The bank's credit risk increases with the NPL ratio, which might undermine investor trust (Richie & Muliawati, 2026). The NPL ratio significantly influences stock prices, according to research by Arhinful et al. (2025) and Richie & Muliawati (2026). NPLs, however, do not significantly impact stock prices, according to research by Rimba & Harnida (2019) and Trihatmoko et al. (2024)

Investors also look at a bank's capacity to make money. One indicator used to evaluate a bank's profitability is the NIM, which reflects the bank's ability to generate netinterest income from its earning assets. The risk that the bank would experience financial troubles decreases with a higher ratio, which also increases interest income from the bank's earning assets (Lesmono et al., 2022). Research (Lahamid et al., 2023) and Akbar & Rizqi (2025) indicates that NIM significantly influences stock prices. Meanwhile, studies by Ramadhan & Maiyaliza (2025) and Santoso & Firdausy (2020) indicate that NIM doesnot significantly affect stock prices.

Investors also consider a bank's capital adequacy level when evaluating the performance of banking companies. The CAR gauges a bank's ability to cover the risk of losses arising from its operations in relation to its capital base (Afriyani & Aprilya, 2024). A bank's capacity to handle risk is indicated by a high CAR, which can increase investor trust. Studies by Permana et al. (2022) and Mulyani & Manunggal (2023) found that the CAR significantly impact stock prices. However, studies Astuti et al. (2024) and Afriyani & Aprilya (2024) indicate that the CAR does not significantly affectstock prices.

Even though a lot of study has been done on the impact of financial factors on stock prices, the findings of previous studies remain inconsistent. This disparity in findings suggests that additional study is required to completely comprehend the relationship between stock pricesand financial factors. Based on this, a more recent study period 2021–2025 was used to examine the impacts of LDR, NPL, NIM, and CAR on the stock prices of banking companies listed on the IDX. This study contributes to the literature by providing updated evidence on the effects of these financial ratios on banking stock prices and by helping to clarify the inconsistent findings reported in previous studies.

This study adopts signaling theory because the financial ratios published by companies provide information that investors can use to assess the company's condition and prospects. Investors might use this information as a signal to differentiate between businesses with promising and unpromising futures (Sudarno et al., 2021). Investor perceptions and investment decisions which

can influence changes in stock prices—may be influenced by information regarding liquidity, profitability, credit risk, and capital adequacy, as reflected in the LDR, NPL, NIM, and CAR ratios.

From the perspective of signaling theory, investors may perceive a high LDR as an unfavorable signal, as it indicates that the bank is exposed to a greater level of liquidity risk. Investor interest in buying the company's shares may decline when liquidity risk increases since it increases uncertainty about the bank's future performance. The stock price may eventually drop due to a drop in share demand. Research findings by Yanti & Purwaningsih (2024) and Assegaf (2023) indicate that the LDR has a negative impact on stock prices.

Likewise, a rise in NPL indicates a deterioration in asset quality and a rise in the bank's risk of loss, which is a bad signal for investors. Investor interest in investing may decline as a result of this high risk undermining investor trust in thecompanys prospects. As a result, the company's stock price tends to decline. Research conducted by Mustabsyirah et al. (2024) and Zakaria et al. (2023) found that NPLs have a negativeimpact on stock prices.

Conversely, a high NIM might be an indication that a bank can effectively manage profitable assets and increase income. Investor trust in the company's future prospects may increase as a result of such great success. Demand for the company's shares will rise in response to increased investor interest, which could eventually result in an increasein the stock price. Research conducted by Akbar & Rizqi (2025) and (Lahamid et al., 2023) shows that NIM has a positive impact on stock prices.

Furthermore, information on a bank's capital strength can act as a favorable signal to investors, according to signaling theory. A bank with a highCAR is more capable of withstanding possible losses and preserving operational stability. A robust capital structure enhances investors' confidence in the company's future performance, thereby stimulating greater demand for its shares. As the demand for the company'sstock increases, its market price is likely to experience an upward movement. Research conducted by Mulyani & Manunggal (2023) and Santoso & Firdausy (2020) shows that the CAR exerts a positive influence on stock prices.

Based on the theoretical arguments and previous empirical findings, the proposed hypotheses are: H1: The Loan to Deposit Ratio (LDR) has a negative impact on stock prices. H2: The Non-Performing Loan (NPL) has a negative impact on stock prices. H3: The Net Interest Margin (NIM) has a positive impact on stock prices. H4: The Capital Adequacy Ratio (CAR) has a positive impact on stock prices.

2. RESEARCH METHOD

The impact of the LDR, NIM, NPL, and CAR on the stock prices of banking businesses listed on the IDX for the years 2021–2025 is examined quantitatively in this paper. The observation period from 2021 to 2025 was selected to provide evidence based on the most recent financial and stock market conditions of banking companies listed on the Indonesia Stock Exchange. This period enables the study to examine whether LDR, NPL, NIM, and CAR remain relevant in explaining stock price movements under the latest banking conditions. In addition, using the most recent five-year period provides sufficient observations while ensuring that the analysis reflects current market conditions.

Secondary data from the IDX annual reports and the firms' official websites make up the data used. All banking firms registered on the IDX between 2021 and 2025 make up the study's population. The intentional sampling approach was chosen based on the following criteria:

Table 1. Sample selection process

Criteria	Number
Banking companies listed on the IDX for the 2021–2025 period	48
Companies that were not listed for consecutive years during the study period	(1)
Companies that did not publish a complete annual report	-
Companies that did not have complete data related to the research variables	(6)
Number of research samples	41
Total number of research data points (41x5)	205

Source: Compiled by the author, 2026

Forty-one banking companies were determined to be suitable for the research sample based on these criteria. A total of 205 data points were employed in this investigation throughout a five-year observation period (2021–2025).

The data was analyzed using EViews 14 software. Because the research data includes both time-series and cross-sectional data for the years 2021–2025, panel data regression was employed. Compared with pure cross-sectional or time-series approaches, panel data regression allows the analysis to capture both differences among banking companies and changes over time. In addition, this method can control for unobserved heterogeneity among firms, such as differences in management strategies, operational characteristics, and risk profiles, which may affect stock prices.

Descriptive statistical analysis was done before the regression analysis to give a summary of the features of the study data, including the maximum, mean, minimm, and standard deviation of each variable. The three estimate methods utilized in panel data regression are the CEM, FEM, and REM. The Hausman, Chow, and Lagrange Multiplier (LM) tests are used in model selection. Testing the classical assumptions is the next stage if the FEM or CEM is employed. However, if the REM is used, testing the classical assumptions is not necessary.

The following panel data regression model was employed in this investigation:

$$HS_{it} = \alpha + \beta_1 LDR_{it} + \beta_2 NPL_{it} + \beta_3 NIM_{it} + \beta_4 CAR_{it} + e_{it}$$

Description:

HS_{it}	= Stock Price
α	= Constant
$\beta_1, \beta_2, \beta_3, \beta_4$	= Regression coefficient
LDR_{it}	= Loan to Deposit Ratio
NPL_{it}	= Non-Performing Loan
NIM_{it}	= Net Interest Margin
CAR_{it}	= Capital Adequacy Ratio
e_{it}	= Error term

The t-test was used for hypothesis testing in order to ascertain each independent variable's partial impact on stock prices. A 5% sig. level (α = 0.05), which is frequently employed in research to reduce the possibility of mistakes indecision-making, was chosen for hypothesis testing. Additionally, the coefficient of determination (Adjusted R^2) was used to examine how effectively the independentvariables explained the variation in stock prices.

3. RESULTS AND DISCUSSIONS

Descriptive Statistical Analysis

In order to make data easy to read and utilize, descriptive statistics are used to describe, summarize, and draw inferences from the data. This test looks at a company's financial data's mean, maximum, minimum, and standard deviation.

Table 2. Results of descriptive statistical tests

	LDR	NPL	NIM	CAR	HS
Mean	93.43	3.09	5.22	39.60	1852.03
Maximum	527.91	14.09	24.38	283.38	16000.00
Minimum	12.35	0.00	-3.52	10.10	30.00
Std. Dev.	52.31	2.38	3.76	32.42	2379.22

Source: EViews 14 output

Table 2 displays the results of thedescriptive statistical analysis for every variabl in the study. The LDR variable ranges from 12.35% to 527.91%, with 93.43% a mean and 52.31% a standard deviation. The ratio of loans to third-party funds is roughly 93.43%, according to the average figure. Furthermore, the standard deviation < the mean, suggests that the LDR observations exhibit

relatively low variability and are generally concentrated around the average value. However, the substantial gap between the minimum and maximumvalues reflects considerable variation in banks' liquidity positions throughout the study period.

The Non-Performing Loan (NPL) variable ranges 0.00% to 14.09%, with 3.09% a mean and 2.38% a standard deviation. This average estimate places the non-performing loan percentage about 3.09%. A relatively low level of dispersion is indicated by the NPL data when the standard deviation is lower than the mean value. Nonetheless, the range between the lowest and largest figures shows how different banks' non-performing loan levels varied over the study period.

With 5.22% a average and 3.76 a standard deviation, the NIM variable has a range of -3.52% to 24.38%. Based on this average value, the bank can generate net interest revenue from its earning assets in the range of 5.22%. If the standard deviation < the mean, the NIM data usually has a modest degree of dispersion. Nonetheless, the relatively large range between the minimumand greatest numbers points to fluctuations in the banks' capacity to produce net interest income during the course of the study.

The CAR variable has a range 10.10% to 283.38%, with 39.60% a mean and 32.42% a standard deviation. This average number shows that the sample banks' capital adequacy levels are much higher than the regulatory minimum criterion. The CAR data typically has a low degree of dispersion when the standard deviation is less than the averagevalue. However, the relatively large range betweenthe minimum and greatest values shows that banks' levels of capital adequacy varied over the course of the study.

The Stock Price (HS) variable ranges from Rp 30 to Rp 16,000, with a mean of Rp 1,852.03 and a standarddeviation of Rp 2,379.22. This average shows that the sample banks' stock prices were between Rp 1,852.03 and Rp 1,852.03 per share during the study period. A high degree of dispersion in the stock price data is indicated by a standard deviation larger than the mean. Furthermore, the extremely large range between theminimum and maximum values suggests significant differences in stock prices among banks during the study period.

Selection of Panel Data Estimation Models

The Chow Test

The more appropriate of the two models the FEM and the CEM was ascertained using the Chow test. The hypotheses formulated were as follows: Ho: "Common Effect Model (Probability value > 0,05)". H1: "Fixed Effect Model (Probability value < 0,05)"

Table 3. Results of the chow test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	13.911398	(40,160)	0.00

Source: EViews 14 output

The Chow test findings show that the cross-section probability value for f is 0.0000 < the sig. 0.05. Since "H_0 is rejected" and "H_1 is approved", the FEM is obviously the better model to adopt.

The Hausman Test

The Chow test findings show that the cross-section probability value for f is 0.0000, < the sig. 0.05. Since "H_1 is approved" and "H_0 is rejected", the FEM is obviously the better model to adopt.
Ho: "Random Effect Model (Probability value > 0,05)"
H1: "Fixed Effect Model (Probability value < 0,05)"

Table 4. Results of the Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	5.811692	4	0.2137

Source: EViews 14 output

The Hausman test yielded a probability value of 0.2137 for the random cross-section; as this value > the sig. 0.05, "H1 is rejected" and "Ho is accepted". The REM is the best paradigm to use in light of these findings.

The Lagrange Multiplier Test

To decide between a REM and a CEM, the LM test is utilized. The following are the hypotheses in the Lagrange Multiplier test: Ho: "Common Effect Model (Probability value > 0,05)" H1: "Random Effect Model (Probability value < 0,05)"

Table 5. Results of the lagrange multiplier test

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	192.6652	0.039494	192.7047
	(0.0000)	(0.8425)	(0.0000)

Source: EViews 14 output

The Lagrange multiplier test indicates that the cross-section and both have Breusch-Paganprobability values of 0.0000 < 0.05; therefore, Ho is rejected. Because of this, the REM fits the data better than the common effects model. This study did not test classical assumptions because the REM was used.

Panel Data Regression Analysis

Table 6. Panel data regression results: random effects model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1846.029	501.5192	3.680874	0.0003
LDR	-5.739736	3.117413	-1.841186	0.0671
NPL	-83.67575	64.81052	-1.291083	0.1982
NIM	7.344829	48.85094	0.150352	0.8806
CAR	19.26126	5.615016	3.430313	0.0007

Source: EViews 14 output

The regression equation for panel data based on the output of the REM can be written as follows:

$$\mathbf{HS = 1846{,}029 - 5{,}739736\ LDR - 83{,}67575\ NPL + 7{,}344829\ NIM + 19{,}26126\ CAR + } e_{it}$$

That equation allows for the following interpretation: a) The constant in the resulting equation is 1846.029. This means that if LDR, NPL, NIM, and CAR are assumed to beconstant or equal to zero, the stock price will increase by 1846.029; b) The LDR coefficient has a negative sign and is -5.739736. This implies that the stock price tends to drop by 5.739736 for every unit increase in the LDR; c) The Net-Performing Loan coefficient has a negative sign of –83.67575. Accordingly, the stock price tends to drop by 83.67575 for every unit increase in the NPL; d) The NIM coefficient has a positive sign and is 7.344829. This indicates that the stock price typically rises by 7.344829 for every unit increase in the NIM; e) The CAR coefficient has a positive sign of 19.26126. This indicates that the stock price typically rises by 19.26126 for every unit increase in the CAR.

T-Test (Partial)

The following is an interpretation of variable X partial effect on Y: a) The probability is 0.0671 and the LDR coefficient is -5.739736. H1 is rejected because LDR does not significantly impact the dependent variable at the 5% significance level, as indicated by the probability value of 0.0671 > 0.05; b) The NPL coefficient is -83.67575 and the p-value is 0.1982. Since NPL has no discernible impact on the dependentvariable (0.1982 > 0.05), H2 is discarded; c) The NIM coefficient is 7.344829 and the p-value is 0.8806. H3 is rejected because NIM does not significantly affect the dependent

variable (0.8806 > 0.05); d) The CAR coefficient is 19.26126, and the p-value is 0.0007. H4 is acceptable since CAR has a significant positive impact on the dependent variabl (0.0007 < 0.05).

Coefficient of Determination Test

Table 7. Results of the coefficient of determination test

Weighted Statistic	
R-squared	0.065430
Adjusted R-square	0.046738

Source: EViews 14 output

The adjusted R-squared value in Table 7 is 0.046738. This shows that factors outside the research model account for 95.3262% of the variation in thedependent variable, with the variables LDR, NPL, NIM, and CAR accounting for 4.6738%.

Discussion

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

The study's findings show that between 2021 and 2025, the stock prices ofbanking firmslisted on the IDX were unaffected by the LDR. This implies that liquidity ratios are not a key consideration for investors when evaluating a company's future. One possible explanation for the LDR's lack of effect on stock prices is that LDR levels are still within regulatory bounds, which means that changes in the LDR are not yet substantial enough to have an impact on stock prices.

An LDR that is either too high or too low can create different perceptions among investors. A high LDR reflects effective fund intermediation, but this situation can also increase liquidity risk if not balanced by sound fund management. Conversely, a low LDR reflects a safer liquidity position but may indicate that the bank's intermediation function is not yet operating optimally. As a result, investors tend not to use the level of the LDR as a primary indicator when assessing a company'sprospects.

According to signaling theory, investors can utilize any information a firm publishes to evaluate its prospects. However, the study's findings indicate that investors do not yet view information on the LDR as a critical signal. This implies that, as evidenced by stock prices, changes in the liquidity ratio have not yet been able to affect investors' investment choices. These results are in line with study by (Purwati & Mareta, 2024) and (Fadilah et al., 2024), which claims that stock prices areunaffected by the LDR. The study's findings, however, run counter to those of (Inggo et al., 2026) and (Effendy et al., 2023), who discovered that the LDR had an impact on stock prices. Previous studies may have examined periods in which variations in liquidity conditions were more pronounced, making LDR a more informative signal for investors. In contrast, the relatively stable liquidity conditions observed during the 2021–2025 period may have reduced investors' sensitivity to changes in LDR.

The Effect of the Non-Performing Loan (NPL) on Stock Prices

The results of the analysis demonstrate that NPL had no impact on the stock prices of banking companies listed on the IDX between 2021 and 2025. This suggests that the quantity of non-performing loans a bank has is not the main factor used to assess its prospects. According to Financial Services Authority standards, the sample banks' NPL levels are comparatively healthy, which could explain why NPLs have little effect on stock values. This situation means that investors are not overly concerned about the credit risks faced by banks, as these risks remain within tolerable limits. Investors likely assume that banking companies already have adequate risk management systems and loss reserves in place to anticipate potential non-performing loans. Therefore, changes in NPLs do notsignificantly affect stock prices since they are not directly reflected in investor behavior.

According to signaling theory, the study's findings show that investors have not yet used NPLs as a main signal when evaluating a company's prospects; as a result, credit risk levels have not

yet been able to affect changes in stock prices. Studies (Trihatmoko et al., 2024) and (Rimba & Harnida, 2019), that claim NPL have little impact on stock prices corroborate these conclusions. The findings of this study, however, go counter to those of (Arhinful et al., 2025) and (Mustabsyirah et al., 2024), who discovered that NPLs do have an impact on stock prices. The discrepancy may be explained by differences in the banking environment during the observation period. Previous studies may have examined periods with greater fluctuations in non-performing loans, making credit risk a more influential factor in investors' valuation decisions.

The Effect of the Net Interest Margin (NIM) on Stock Prices

The analysis's findings show that, between 2021 and 2025, the NIM had no impact on the stock prices of bankingcompanies listed on the IDX. These findings imply that investors have not prioritized a bank's capacity to provide net interest income when making investment selections. The fact that NIM has no effect on stockprices suggests that investors take into account a variety of criteria, including capital sufficiency, firm size, economic conditions, interest rates, and market mood, in addition to a bank's capacity to generate interestincome.

The fact that NIM has little impact on stock prices may possibly be due to investors' tendency to evaluate a company's performance holistically rather than focusing solely on the bank's abilityto generate net interest income. A bank's abilityto produce net interest income is reflected in NIM, although an increase in NIM does not always translate into better overall business performance. This situation causes investors to show no significant reaction to changes in NIM, which consequently has no direct impact on stock prices.

The findings of this study show thatinvestors have not yet used the NIM as a main signal when making investment decisions, according to signaling theory. This implies that changes in stock prices have not yet been impacted by a bank's capacity to provide net interest income. These findingsare consistent with studies that indicate NIM has minimal impact on stock prices Santoso & Firdausy (2020) and (Ramadhan & Maiyaliza, 2025). The study's findings, however, go counter to those of (Lahamid et al., 2023) and (Akbar & Rizqi, 2025), who discovered that NIM has an impact on stock prices. The discrepancy may reflect differences in investor priorities across observation periods. Previous studies may have been conducted under market conditions in which profitability indicators played a more dominant role in stock valuation.

The Effect of the Capital Adequacy Ratio (CAR) on Stock Prices

The results of the analysis show that the CAR has a positive impact on stock prices for banking companieslisted on the IDX between 2021 and 2025. This suggests that a bank's stock price often rises in direct proportion to its capital adequacyratio. When evaluating a bank's future, investors take its capital position into account, as seen by the favorable impact of CAR on stock prices. A high CAR indicates that a bank has sufficient capital to support its operations, absorb potential losses, and pursue business expansion. These conditions strengthen investor confidence and encourage investment in banking stocks.

These findings support the signaling hypothesis, which maintains that financial information disclosed by companies might serve as a signal to investors during the decision-makingprocess. Investors perceive a bank with a high CAR as having bright prospects and a more certain level of business sustainability since it gives a positive signal about the health of the bank's capital structure. Increased demand for the stock as a result of investors' favorable reaction to this information raises the price of the stock. This finding support those of research by (Mulyani & Manunggal, 2023) and Santoso & Firdausy (2020) which show that the CAR affects stock prices. The study's conclusions, however, go counter to those of (Afriyani & Aprilya, 2024) and (Astuti et al., 2024), who concluded that the CAR has no bearing on stock prices.

These findings imply that investors should not rely solely on LDR, NPL, or NIM when evaluating banking stocks during the 2021–2025 period. Instead, greater attention should be given to the Capital Adequacy Ratio (CAR), as it provides a stronger signal of a bank's financial resilience and

long-term stability. Nevertheless, investment decisions should still consider other financial and market information to obtain a more comprehensive assessment of a bank's future prospects.

4. CONCLUSION

Based on the analysis and test results of this study, from 2021 to 2025, the stock prices of banking companies listed on the IDX are mostly unaffected by the LDR, NPL, and NIM. In contras, the stock prices of banking companies listed on the IDX were significantly influenced by the CAR. Given that it has been demonstrated to impact stock prices, this study emphasizes the significance of bank management in preserving a sufficient CAR. Maintaining adequate capital not only supports compliance with regulatory requirements but also strengthens investor confidence by reflecting the bank's financial resilience and long-term stability, which may ultimately enhance corporate value. The study's findings suggest that investors should take the capital adequacy ratio into account when assessing a company's performance prior to investing in banking stocks. At the same time, investors should not rely solely on a single financial ratio when making investment decisions but should also consider other financial and market information to obtain a more comprehensive assessment of a bank's performance and future prospects.

This study has several limitations. The variables examined in this study were restricted to LDR, NPL, NIM, and CAR. Therefore, there are other variables that could potentially influence banking stock prices but have not been examined in this study. In addition, because the study's application to conventional banks is limited by the use of the Net Interest Margin (NIM) ratio, its findingscannot yet be applied to the whole banking sector, especially Islamic banks.

Therefore, future researchers are encouraged to refine the research model by incorporate other variables that may influence banking stock prices, such as ROA, ROE, EPS, firm size, inflation, interest rates, and other macroeconomic factors. The inclusion of these variables is expected to improve the model's explanatory power in explaining changes in banking stock prices. In addition, future studies may consider using financial ratios that are applicable to both conventional and Islamic banks, thereby allowing the findings to be generalized across the banking sector. Furthermore, future studies are also encouraged to extend the observation time to get a more complete view of how financial ratios affect banking stock values under different economic scenarios.

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