

Bank Health, Profit Management and Its Impact on National Banking Stock Returns

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ABSTRACT

The purpose of this study is to provide strong evidence regarding the influence of bank health level measured by NPL, ROA and CAR on Earning management which has an impact on stock returns. This type of research is included in quantitative research. The population in this study is all Indonesia's national private banking companies listed on the Indonesia Stock Exchange in 2023. Meanwhile, the sample in this study is 37 companies. The type of data used is secondary data obtained from www.idx.co.id. The data collection technique uses documentation techniques. The analysis used in this study is cross section data regression analysis. The results of this study are (1) Non-Performing Loans do not have a significant effect on Earning management. (2) Return On Assets does not have a significant effect on Earning management. (3) Capital Adequacy Ratio does not have a significant effect on Earning management. (4) Earning management has no significant effect on stock returns. (5) Non-Performing Loans do not have a significant effect on stock returns. (6) Return On Assets does not have a significant effect on stock returns. (7) Capital Adequacy Ratio has a significant effect on stock returns. (8) Earning management does not mediate Non-Performing Loans against stock returns. (9) Earning management does not mediate Return On Assets on stock returns. (10) Earning management does not mediate the capital adequacy ratio to stock returns.

Keywords: NPL; ROA; CAR; Earning Management; Stock Return

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SDGs: Quality Education (4); Decent Work and Economic Growth (8); Peace, Justice and Strong Institutions (16)

INTRODUCTION

The average savings balance of Indonesians is now below IDR 100 million and tends to continue to decline. According to the Deposit Insurance Corporation (LPS), the number of accounts with this balance reached 580.01 million accounts or 98.8% of the 586.95 million existing accounts (as of July 2024). This symptom indicates that savings are used for consumption (Fajarihza, 2024). From a banking perspective, the amount of savings will affect the health of the bank in terms of non-performing loans (NPL), where this criterion is generated from the amount of loans divided by third party funds which include community savings. NPLs affect the overall routine of the banking sector, thus threatening the bankruptcy of the banking sector. A high level of NPLs directly affects the overall financial performance of the banks (Khan et al., 2020). Poor health will impact bank operations. Based on data from Indonesian Banking Statistics, the number of bank offices in Indonesia in March 2024 reached 24,243 units and within a year the number decreased by 733 offices (Burhan.FA, 2024). In addition to being required as a legal requirement, bank health also needs to be maintained to continue to exist in its business (Gultom & Siregar, 2022). In this regard, to maintain the level of bank health, bankers can carry out profit management techniques, namely management techniques in planning the profit to be achieved (Gultom & Siregar, 2022; Paramastri et al., 2021) Banking profit management techniques can affect bank performance through efficiency to obtain optimal profits (Al-Hawtmeh et al., 2024). Research conducted by (Lestari.puji et al., 2019), found that Non-Performing Loans have a significant effect on earnings management, this is in accordance with the results of other studies (Kibitiah.Maryani & Silvi Reni Cusyana.SR, 2020)., however, other studies with the same variables show that Non-Performing Loans have no effect on earnings management (Susilawati & Nurulrahmatiah, 2021)., this is also supported by the results of other studies (Sani, 2019).

Other banking health assessment instruments can be seen from the profitability aspect, namely the company's ability to earn profits proxied by ROA (Return on Assets) where this level of profitability can influence managers to carry out earnings management practices (Hidayah.N & Nurjanah.I, 2023; K. C. Lestari & Wulandari, 2019). This is proven by the findings which state that profitability with ROA has a significant influence on earnings management (K. C. Lestari & Wulandari, 2019), however, if the level of profitability is high, management

tends not to practice earnings management so that ROA has no influence on earnings management (Agustin & Filianti, 2021). Another bank health indicator factor that influences earnings management is the Capital Adequacy Ratio (CAR), namely the comparison between total capital and total risk-weighted assets (Tahmat, 2020a). In banking business, CAR performance is an important aspect because it contains capital aspects that can be increased if the level of profitability is good, therefore management techniques are needed in tax planning, this proves that CAR can have a significant effect on profit management (Saragih et al., 2023) The CAR value can also be reflected by the level of credit risk, so that the greater the profitability will be followed by a high credit risk so that banks do not pay attention to profit management, thus CAR does not have a significant effect on profit management (Saragih et al., 2023)

In agency theory, managers have the responsibility to manage profits and maximize the welfare of the company. This drive is created by contracts that are explicitly or implicitly based on reported profits and various situations where reported profits have an important role in the welfare of interested parties, welfare for investors, one of which is stock returns (Meita, 2019), thus the practice of earnings management will have an impact on the company's performance which is felt by shareholders in the form of stock returns. Earnings management practices have a significant effect on stock returns (Kencana, 2021) this study is supported by research (Meita, 2019) Based on the considerable risk in the banking world, profit acquisition will not necessarily increase banking performance, the impact of earnings management carried out does not have a significant effect on stock returns (Huda.Ainil, 2022) the results of this study are supported by the results of research (Hendra & Herawaty.V, 2020).

The health aspect of a bank with several indicators not only affects performance but also the level of stock returns, this is important to attract investors to invest their money in the banking sector so that banks are more expansive in their operations (Safri et al., 2020). Bank health with several of its instruments can directly have a significant effect on stock returns (Maharani, 2021), likewise several bank health instruments do not have a significant effect on stock returns (Tahmat, 2020b).

The phenomenon of many banks closing and the decreasing number of operating bank offices and the decreasing number of public savings are feared to disrupt bank health and reduce stock returns. By using the mediation variable of earnings management and there are still differences in research results, we are interested in conducting research entitled “**Bank Health, Earnings Management and Its Impact on National Private Banking Stock Returns**”.

LITERATURE REVIEW

Non-performing loan (NPL)

An important element for measuring bank health is Non-Performing Loan (NPL), because NPL The financial ratio that can be used to measure credit risk, this ratio measures the bank's ability to minimize non-performing loans faced (Kurniati & Putri, 2020). Non-Performing Loan (NPL) is a basic financial ratio that can provide information on the assessment of capital conditions, profitability, credit risk, market risk and liquidity. The higher the NPL level indicates that the bank is not professional in managing its credit so that the bank experiences bad credit which will ultimately have an impact on bank losses. With the increase in NPLs, as a result, the bank must provide a large enough write-off reserve, so that the ability to provide credit is very limited and if it is uncollectible it will result in losses (Khan et al., 2020). NPL is classified into two types, Gross NPL is the total of problematic loans, including unpaid interest and other costs. While net NPL is the amount of problematic loans that have been reduced by the loss reserves allocated by the bank. NPL is the ratio of non-performing loans to total loans. NPL is divided into two types Gross NPL is the total non-performing loans, including unpaid interest and other costs. While net NPL is the amount of non-performing loans that have been reduced by the loss reserves allocated by the bank. According to Bank Indonesia, a healthy non-performing loan (NPL) ratio is 5%. The higher the NPL value, the lower the profit received. The following is the NPL profile and its criteria: Very healthy: $NPL < 2$, Healthy: $2\% < NPL < 5$, Fairly healthy: $5\% < NPL < 8$, Less healthy: $8\% < NPL < 12$, Unhealthy: $NPL > 12$ (Bank Indonesia, 2020)

Return on Asset (ROA)

Return on Assets is a profitability ratio that measures how well a company's management uses its assets to generate profits. One of the most important indicators of a bank's success is profitability, which can be quantified using a ratio Return on Assets (ROA) (Ana Dwi Pertiwi, 2024). Return on assets (ROA) is a profitability ratio that measures a company's ability to earn profit from total assets owned. With ROA, managers, analysts, and investors can assess how efficiently a company uses its assets to earn profit (Birken.EG, 2021). ROA is a tool to

determine the effectiveness of using assets to gain profits and how well a company generates profit from its assets. ROA is an objective measurement method based on available accounting, ROA can reflect the results of Bank Indonesia policies which sets the amount of ROA at 1.5 percent (Hutahuruk et al., 2024) This ratio is used to measure the management performance in order to achieve the whole profit. The higher ROA, the higher profit that will be achieved and the better position of using its assets. It shows how a bank can convert its asset into net earnings. An ROA of 5% or better is typically considered good, while 20% or better is considered great. In general, the higher the ROA, the more efficient the company is at generating profits. However, any one company's ROA must be considered in the context of its competitors in the same industry and sector.

Capital Adequacy Ratio (CAR)

Capital Adequacy Ratio (CAR), namely according to Bank Indonesia (Number 9/13/PBI/2007) "CAR is the provision of minimum capital for banks based on asset risk in a broad sense, both assets listed on the balance sheet and administrative assets as reflected in contingent liabilities and / or commitments provided by banks to third parties and market risk (Rahmi & Herlina, 2021). CAR is also the main proxy for bank capital. CAR reflects the company's own capital, the greater the CAR, the greater the bank's opportunity to generate profits, because with large capital, bank management is very free to place its funds into profitable investment activities. Therefore, it can be concluded that the greater the CAR ratio indicates the bank's ability to earn good profits, so that the CAR ratio has a positive effect on profits and increases the ROA ratio. The higher the CAR ratio indicates the strengthening of banks and the increased ability of banks to protect funds from investors. This ratio ensures that banks are able to meet other obligations and risks such as operational risk, credit risk and market risk (H. S. Lestari, 2019). The bank's CAR ratio is indispensable to prevent bankruptcy of banks and to protect depositors' funds based on standards set with a minimum CAR of 8 percent.(Duho, 2023)

Earning Management

Earnings management is the manipulation of reported income; hence the profit and loss account does not represent the real economic conditions of banking activity. Earnings management occurs when managers apply their judgment to financial reports by structuring transactions to influence financial statements that may be misleading to shareholders (Huang & Ho, 2020a). One of its practices is the smoothing process, which aims to reduce the composition of net income for each period. Managers increase loan loss provisions (LLP) when the initial condition of income has a high value and decreases when the initial earning is low to stabilize net income (Suripto, 2023). The findings suggest that investors have different perceptions toward different forms of earnings management. In other words, results exhibit that investors perceive downward earnings management as an element of risk; hence, they discount the returns at a higher rate. On the contrary, results show that upward earnings management is positively perceived by the investors; hence, they hold the stocks even at a lower rate of return. This relation is found to be consistent even after controlling the impact of marker effect, size effect, value effect and momentum effect (Cupertino et al., 2017). Earning management designs optimal profit acquisition by managing operational costs more efficiently, however, in some old management literature, it is not possible to reduce the level of efficiency. As the level of earnings management increases, efficiency decreases. earnings management affects the bank's ability to make its operations profitable (economic/cost efficiency), earnings management practices prevent banks from using fewer resources (for a given output) or, equivalently, to produce more with given resources (technical efficiency) and earnings management causes costs actually incurred by the bank to be above the minimum costs, given the level of output produced (Proença et al., 2023).

Stock returns

Stock returns are the returns that investors generate out of the stock market's buying and selling activities. Therefore, one can understand these returns as the product of the price discovery mechanism. Return is the actual annual income received, plus any price changes in the market, usually written as a percentage of the opening price (asset) in the market. Stock return can be defined as a level of profit obtained and expected by investors from an investment for a certain period of time that will be obtained in the future. Stock return is the result obtained from investment. Returns can be in the form of realized returns that have occurred or expected returns that have not occurred but which are expected to occur in the future (P. Sihombing & Sinaga. FP, 2020). The price discovery process could be affected by several factors (Bansal et al., 2021). Stocks Return is influenced by Internal and External factors. Internal factors include EPS (Earning Per Share), DER (Debt to Equity Ratio), and ROE (Return on Equity), while external factors are macroeconomic aspects such as BI Rate, inflation, and economic growth (Salsabila et al., 2021). Slightly different, The main factors that influence all the variables can be identified which include long term investment to assets, fee and commission income to assets, capital ratio, price to book value, quarterly change in Consumer Price Index, quarterly change in Producer Price Index and quarterly change in Retail Sales Index, unemployment rate, long term interest rates, short term interest rates (Niewińska, 2020).

Hypothesis Formulation

Effect of Non-Performing Loans on Earning management

Non-Performing Loans (NPL) is a comparison between total non-performing loans (substandard, doubtful and bad loans) with total loans given by banks to debtors, thus NPL can be interpreted as a proxy for the quality of productive assets, namely the quality of assets in relation to the credit risk faced by banks due to credit distribution. NPL is also a ratio used to measure the bank's ability to withstand the risk of credit failure by debtors. The NPL instrument from the risk side is indicated by the amount of NPL where the greater the NPL will be accompanied by the amount of credit failure risk distributed. The amount of NPL has the potential to reduce interest income and reduce profits (Do et al., 2020). The decreasing rate of interest and profit requires management to manage its finances, so that the invested assets can provide benefits to stakeholders (earnings management) (Suripto & Supriyanto, 2021). Research conducted by (Lestari.puji et al., 2019), found that Non-Performing Loans have a significant effect on earnings management, this is in accordance with the results of other studies (Kibitiah.M & Cusyana.SR, 2020). Therefore, a hypothesis was given to the case Bank of Indonesia:

H1: The NPL ratio has a significant and positive relationship with earnings management.

Effect of Return on Asset on Earning Management

ROA is a profitability ratio that measures how well a company's management uses its assets to generate profits. If ROA is higher, it means the company is more efficient in generating profits from its assets. Companies with higher profitability tend to engage in earnings management because managers may be motivated to increase profits in order to receive more bonuses. Return on Assets (ROA) has an effect on earnings management, and companies with higher profitability tend to engage in earnings management. ROA has a positive effect and significant (Simanjuntak DJP & Haryanto, 2022), Profitability with ROA instrument has a positive and significant influence on earnings management (Budiman.PA & Susanti.M, 2024), This is supported by the results of research conducted (Hiudy.la & Djashan, 2023).

H2: Return on Asset (ROA) has effect on Earning Management

Effect of Capital Adequacy Ratio (CAR) on Earning Management

The results of (Yusoep Islami et al., 2019) study which stated the positive and significant influence of CAR on earnings management were partly motivated by the minimum CAR ratio set by Bank Indonesia of 8%. If the bank cannot meet the minimum ratio, the bank can be classified as an unhealthy or problematic bank, to achieve this, management tries to achieve the set profit target. On the other hand, banks also need sources of funds to meet credit applications and operational activities, but banks also need to consider the cost of funds that must be spent by the bank on the sources of funds it obtains, both from customer deposits and share capital deposited by investors. This assessment causes managers to carry out earnings management in order to meet the criteria required by Bank Indonesia and make investors interested in investing in the bank. Therefore, a hypothesis was given to the case Bank of Indonesia:

H3: Capital Adequacy Ratio has effect on Earning Management

Effect of Earning Management on Stock Return

Earnings management practices that are known by investors and potential investors will have an impact on the lack of investment attractiveness in companies that implement earnings management practices which will then result in a low rate of return of shares. In his research (Huang & Ho, 2020b) the findings indicate that the stock liquidity component of earnings management is positively associated with future stock returns in Chinese firms. The results of this study are supported by other studies, including (Tang & Alvita, 2021), because earnings management practices can trick investors into making investment transactions. Therefore, a hypothesis was given to the case Bank of Indonesia:

H4: Earning Management has effect on Stock Return

Effect of Non-Performing Loans on Stock Return

NPL is a bank loan that is late in payment or cannot be paid off by the borrower. Banks that have large NPL mean they have a high risk of bad debt. Stock returns are important information for investors to consider investment decisions. Non-performing loans (NPL) reduce bank profitability, because banks cannot earn adequate interest on their classified loans. So high NPLs can reduce stock returns. NPL has a very strong influence on stock returns (Sulaeman et al., 2018), scrutinize the short-term market reaction to the announcements of NPL by banks in the Turkish stock market over. (Pirgaip & Uysal, 2023) use a standard eventstudy methodology and find a

positive valuation effect that appears even before the announcement date. Both studies obtained the same results if NPL has a significant influence on stock returns, then in this research hypothesis:

H5: Non-Performing Loans has effect on Stock Return

Effect of Return on Asset on Stock Return

Return on Assets (ROA) is a financial metric that can be used to help investors identify stock opportunities. A company's ROA can show how well it is using its assets to generate profits, and an increasing ROA can indicate that the company is performing well. ROA is a financial ratio that measures how much profit a company generates from its total assets. A decreasing ROA can indicate that the company may be over-investing in assets that are not generating revenue growth. ROA has an effect positive and significant to Return Stocks (David et al., 2023). (Fakhri Rana Sausan et al., 2020) in his research also concluded that, partially, Return On Asset (ROA) has a significant influence on stock returns. Therefore, a hypothesis was given to the case Bank of Indonesia:

H6: Return on Asset has effect on Stock Return

Effect of Capital Adequacy Ratio on Stock Return

CAR is a ratio that measures bank capital to risk-weighted assets and current liabilities, Capital Adequacy Ratio (CAR) can affect the profitability and stock price of a bank, and several studies have found a relationship between CAR and stock returns. Jati.DK & Fachrurrozie, (2021) in their research revealed the results of the analysis showing that the Capital Adequacy Ratio (CAR) partially affects stock returns. The relationship between the independent variable (CAR) and the dependent variable (banking stock returns) is very strong. The two variables are able to explain 68.3% of the change in stock returns, while the rest is explained by other unobserved variables. This study is in line with research (Iskandar, 2020) The results of the study showed that the capital adequacy ratio, loan to deposit ratio, and net interest margin have a significant effect on banking company stock returns. Based on the description, the hypothesis that will be presented is:

H7: Capital Adequacy Ratio has effect on Stock Return

Based on the research framework that has been hypothesized, in addition to the seven direct relationships, the hypotheses established in this study also include the following indirect relationships:

H8: The influence of earnings management as a moderating variable on the influence of NPL on stock returns

H9: The Influence of Earning Management as a moderating variable that influences the influence of ROA on Stock Returns

H10: The Influence of Earning Management as a moderating variable that influences the influence of CAR on Stock Returns

Framework of Thought

From the hypothesis that has been set above, this study will conduct further research on the effect of NPL, ROA dan CAR on Earning Management. Based on the background, literature review, previous research and hypothesis formulation, the following framework is made:

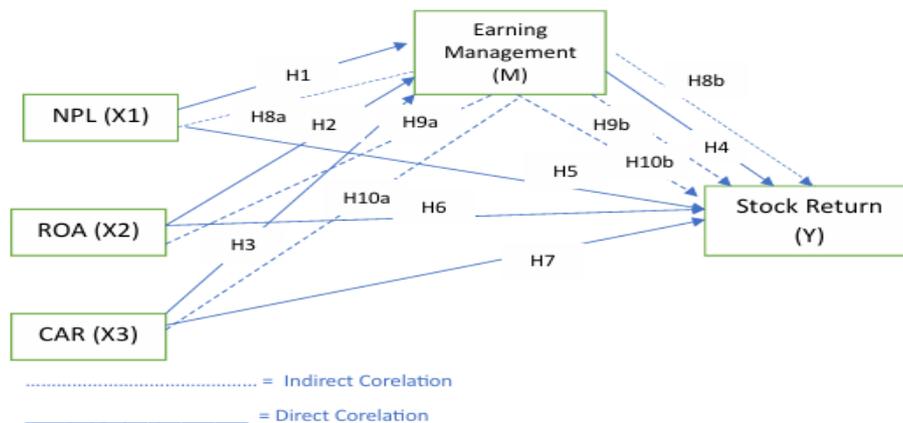


Figure 1. Research method framework

METHODOLOGY

Place and Time of Research

The object of this research is the financial report ratios related to bank health which include NPL, ROA and CAR of banking companies listed on the Indonesia Stock Exchange (IDX) in 2023 with data obtained from the official IDX website at www.idnfinancials.com.

Population and Sample

Population is often referred to as a universe or a group of individuals or objects that have the same characteristics. The population in this study were 37 national banks listed on the Indonesia Stock Exchange (IDX). Based on several sampling techniques, this study used a saturated sampling technique, namely the entire population was used as a research sample. Data processing in this study used Eviews 12 statistical software.

Operational Research Variables

Table 1. Operational Research Variables

No	Variabel	Indicators	Skala
1	Non-Performing Loans (NPL)	$NPL = \frac{\text{Kredit Bermasalah}}{\text{Total Kredit}} \times 100\%$	Rasio
2	Return On Asset (ROA)	$ROA = \frac{\text{Laba Bersih Sebelum Pajak}}{\text{Total Aset}} \times 100\%$	Rasio
3	Capital Adequacy Ratio (CAR)	$CAR = \frac{\text{Modal}}{\text{Aktiva Tertimbang Menurut Risiko}} \times 100\%$	Rasio
4	Stock Return (SR)	$R_i = \frac{P_{(t)} - P_{(t-1)}}{P_{(t-1)}} + \text{Yield}$	Rasio
5	Earning Management (EM)	$TAC_{it} = NI_{it} + CFO_{it}$	Rasio

RESULTS AND DISCUSSION

Descriptive Analysis

Descriptive statistics are conducted to provide an overview of the research variables to be observed. Descriptive statistics for the variables used in this study are presented in the following table.

Table 2. Hasil Uji *Descriptive statistic*

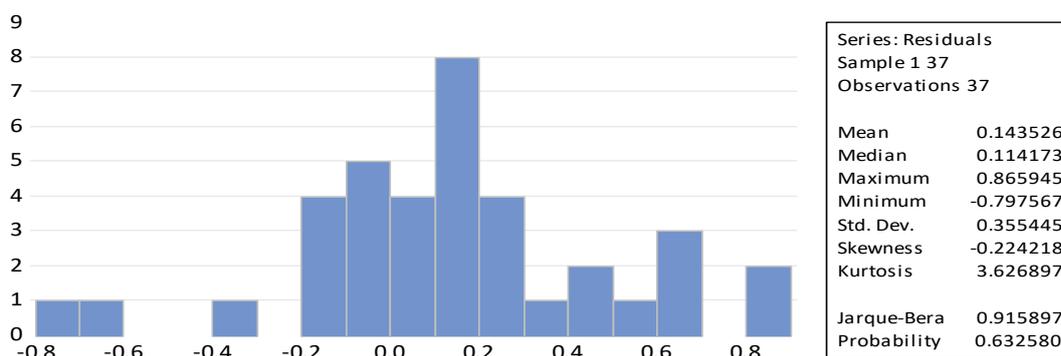
	RETURNSA...	NPL	ROA	CAR	MANAJEME...
Mean	21500.65	0.026251	0.015186	0.421419	-0.172239
Median	0.710000	0.022000	0.014100	0.299000	-0.173571
Maximum	730886.5	0.092300	0.063400	1.192300	0.010204
Minimum	-0.190000	0.000800	-0.077100	0.107800	-0.326954
Std. Dev.	120328.0	0.017530	0.023499	0.263183	0.099337
Skewness	5.765909	1.546606	-1.349401	1.323695	0.550427
Kurtosis	34.48885	6.804540	8.161055	3.894629	2.375297
Jarque-Bera	1733.652	37.06550	52.29337	12.03893	2.469953
Probability	0.000000	0.000000	0.000000	0.002431	0.290842
Sum	795524.0	0.971300	0.561900	15.59250	-6.372843
Sum Sq. Dev.	5.21E+11	0.011063	0.019879	2.493554	0.355245
Observations	37	37	37	37	37

Source: Output Eviews 12 (2024)

In the table above, the Stock Return (Y) variable has a maximum value of 730886.5 while the minimum value is -0.190000 and the average value (mean) is 21500.65 and the standard deviation value is 120328.0 with a total of 37 research data while the Non-Performing Loan (NPL) variable has a maximum value of 0.0923, a minimum value of 0.0008, an average value (mean) of 0.02625 and a standard deviation value of 0.01753. Return On Asset (ROA) variable has a maximum value of 0.0634, a minimum value of -0.0771, an average value (mean) of 0.015186 and a standard deviation value of 0.02349. The Capital Adequacy Ratio (CAR) variable has a maximum value of 1.1923, a minimum value of 0.1078, an average value (mean) of 0.421419 and a standard deviation value of 0.263183. The Earnings Management variable has a maximum value of 0.010204, a minimum value of -0.326954, an average value (mean) of -0.172239 and a standard deviation value of 0.099337 with a total of 37 research data.

Classical Assumption Test Data Normality Test

The calculation and testing of this study used the Eviews program, normality detection can be done using if the sig value > 0.05, then the data is normally distributed (Hamid et al., 2020). The following are the results of the data normality test in this study:



Source: Output Eviews 12 (2024)

Figure 2. Normality Test Results

Based on the graph above, the results of the Kolmogorov-Smirnov normality test show that the calculated JB Prob. Value of 0.632580 > 0.05 indicates a prob value > so it can be concluded that the data is normally distributed.

Multicollinearity Test

The Multicollinearity Test aims to test whether the regression model has a correlation or relationship between independent variables. A good regression model should not have a correlation between independent variables. A good model is a model that does not have multicollinearity. Decision-making criteria (Hamid et al., 2020): If the VIF value <10, then it passes the multicollinearity test, if the VIF value > 10, then it does not pass the multicollinearity test. The following are the results of the multicollinearity test in this study:

Table 3. Multicollinearity Test Results

Variance Inflation Factors
 Date: 08/28/24 Time: 07:42
 Sample: 1 37
 Included observations: 37

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	2.78E+09	7.982573	NA
NPL_X1	1.33E+12	3.756359	1.136670
ROA_X2	7.07E+11	1.558462	1.090405
CAR_X3	6.35E+09	4.461932	1.227429
MANAJEMENLABA_Z	3.68E+10	4.147234	1.014031

Source: Output Eviews 12 (2024)

From the test results above, it can be seen that the VIF value of each variable is <10, so it can be concluded that there are no symptoms of multicollinearity or it passes the multicollinearity test.

Test Coefficient of Determination (R²)

Table 4. Correlation Test Results

Based on the results of the regression test in the table below:

R-squared	0.013837
Adjusted R-squared	-0.075814
S.E. of regression	0.103034
Sum squared resid	0.350329
Log likelihood	33.70558
F-statistic	0.154341
Prob(F-statistic)	0.926149

The results of the determination coefficient test of the independent variable on the mediating variable can be seen in the following equation:

$$KD = r^2 \times 100\%$$

$$r = \sqrt{KD}$$

$$KD = R\text{-Square}$$

$$KD = 0,0138$$

$$r = \sqrt{0,0138}$$

$$r = 0,117 = 11,7\%$$

So, it can be interpreted that the data from the results of the coefficient of determination test equation based on rule of thumb very low. The coefficient of determination value shows that the NPL (X1), ROA (X2), and CAR (X3) variables are able to explain the Earnings Management (Z) variable by 11.7%, while the remaining 88.3% is explained by other variables. So, it can be interpreted from the results of the determination coefficient test equation based on the applicable provisions that are very low where the NPL (X1), ROA (X2), and CAR (X3) variables are able to explain the Profit Management (Z) variable by 11.7%, while the remaining 88.3% is explained

by other variables. Based on the same table, the results of the coefficient of determination test of the independent variable, the mediating variable against the dependent variable. The data is obtained using the following equation:

$$r = \sqrt{KD}$$

$$KD = R\text{-Square}$$

$$KD = 0,208$$

$$r = \sqrt{0,208}$$

$$r = 0,456 = 45,6\%$$

So, it can be concluded that the interpretation of the data from the determination coefficient test equation based on table 3.4 is moderate. The determination coefficient value shows that the NPL (X1), ROA (X2), CAR (X3) and Earnings Management (Z) variables are able to explain the Stock Return variable by 45.6%, while the remaining 54.4% is explained by other variables.

Hypothesis Test

Hypothesis testing is carried out using a significance test with the following significance test criteria: if the sig value > 0.05 then the hypothesis is rejected and if the sig value < 0.05 then the hypothesis is accepted.

Table 5. Cross Section Data Regression Results

Dependent Variable: MANAJEMENLABA_Z
 Method: Least Squares
 Date: 08/28/24 Time: 07:54
 Sample: 1 37
 Included observations: 37

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.174588	0.036969	-4.722594	0.0000
NPL_X1	0.625728	1.038672	0.602431	0.5510
ROA_X2	0.060425	0.763012	0.079192	0.9374
CAR_X3	-0.035581	0.072023	-0.494024	0.6246

Based on the table above, the data obtained from the hypothesis test results are as shown in the table below:

Table 6. Results of Hypothesis Testing X against Z

Hubungan	Hipotesis	Nilai sig	Kesimpulan
NPL → ML	H1	0,5	Rejected
ROA → ML	H2	0,9	Rejected
CAR → ML	H3	0,6	Rejected

Source: Data processed by Researchers, 2024

Table 7. Hypothesis Test Results Z, X against Y

Hubungan	Hipotesis	Nilai sig	Kesimpulan
ML → RS	H4	0,6	Rejected

NPL → RS	H5	0,04	Accepted
ROA → RS	H6	0,3	Rejected
CAR → RS	H7	0,07	Rejected

Source: Data processed by Researchers, 2024

Sobel Test

The Sobel test is one that can be used to determine whether the mediation effect is statistically significant. The Sobel test is conducted to test the indirect effect of the independent variable on the dependent variable through the intervening variable, for the calculation of the Sobel test, the Sobel test calculator is used. The output results of the NPL, ROA, CAR variables (independent variables) on Stock Returns (dependent variables) are shown in the table below:

Table 8. Sub Structural Equation Results

Dependent Variable: RETURN SAHAM_Y
 Method: Least Squares
 Date: 08/28/24 Time: 09:08
 Sample: 1 37
 Included observations: 37

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	9484.693	40227.16	0.235778	0.8151
NPL_X1	-2435216.	1130220.	-2.154639	0.0386
ROA_X2	814287.7	830263.7	0.980758	0.3338
CAR_X3	150865.3	78370.85	1.925018	0.0629

Sumber: Output Eviews 12, 2024.

Based on the table above and processed using the Sobel calculator, the following results are obtained:

Table 9. Sub Structural Equation Results

Untuk melakukan uji Sobel

Rinciannya dapat ditemukan di Baron dan Kenny (1986), Sobel (1982), Goodman (1960), dan MacKinnon, Warsi, dan Dwyer (1995). Masukkan a, b, s_a dan s_b ke dalam sel di bawah ini dan program ini akan menghitung rasio kritis sebagai uji apakah efek tidak langsung dari IV pada DV melalui mediator berbeda secara signifikan dari nol.

	Masukan:	Uji Sobel:	Statistik uji:	Kesalahan Standar:	nilai p :
A	-2435216.	Uji Sobel:	0.39632311	475358090774.:	0.69186668
B	-77362.91	Tes Aroian:	0.36057474	522486392872.:	0.71841738
adalah sebuah	1130220	Uji Goodman:	0.44536724	423011345229.	0.65605438
aku b	191871.0	Reset all	Menghitung		

The p-value obtained is $0.6 > 0.05$ with a Sobel test statistical value of 0.39, so it can be concluded that the NPL variable (X1) does not have a significant effect on Stock Return (Y) through Earnings Management (Z), or indirectly the Z variable does not mediate the effect of the X1 variable on the Y variable. Meanwhile, the second Sobel test obtained results on the influence of ROA (X2) on Stock Returns (Y) through Earnings Management (Z).

Meanwhile, the second Sobel test obtained the results of the influence of ROA (X2) on Stock Returns (Y) through Earnings Management (Z), then the following results were obtained:

Table 10. Sobel Test Calculator 1

Untuk melakukan uji Sobel

Rinciannya dapat ditemukan di Baron dan Kenny (1986), Sobel (1982), Goodman (1960), dan MacKinnon, Warsi, dan Dwyer (1995). Masukkan a , b , s_a dan s_b ke dalam sel di bawah ini dan program ini akan menghitung rasio kritis sebagai uji apakah efek tidak langsung dari IV pada DV melalui mediator berbeda secara signifikan dari nol

	Masukan:	Statistik uji:	Kesalahan Standar:	nilai p :
A	<input type="text" value="814287.7"/>	Uji Sobel: -0.37291818	168926238777.0	0.70920934
B	<input type="text" value="-77362.91"/>	Tes Aroian: -0.2713071	232193211928.1	0.78615485
adalah sebuah	<input type="text" value="830263.7"/>	Uji Goodman: -1.12091566	56200183536.4	0.26232376
aku b	<input type="text" value="191871.0"/>	<input type="button" value="Reset all"/>	<input type="button" value="Menghitung"/>	

Based on the results of the Sobel test calculation above, the p-value obtained was $0.7 > 0.05$ with a Sobel test statistical value of -0.37 , so it can be concluded that the ROA variable (X2) does not have a significant effect on Stock Return (Y) through Earnings Management (Z), or indirectly the Z variable does not mediate the effect of the X2 variable on the Y variable. Meanwhile, the CAR (X3) test on Stock Returns (Y) through Profit Management (Z) obtained the following results.

Table 11. Sobel Test Calculator 2

Untuk melakukan uji Sobel

Rinciannya dapat ditemukan di Baron dan Kenny (1986), Sobel (1982), Goodman (1960), dan MacKinnon, Warsi, dan Dwyer (1995). Masukkan a , b , s_a dan s_b ke dalam sel di bawah ini dan program ini akan menghitung rasio kritis sebagai uji apakah efek tidak langsung dari IV pada DV melalui mediator berbeda secara signifikan dari nol.

	Masukan:	Statistik uji:	Kesalahan Standar:	nilai p :
A	<input type="text" value="150865.3"/>	Uji Sobel: -0.39463904	29574820082.0	0.6931093
B	<input type="text" value="-77362.91"/>	Tes Aroian: -0.35177994	33178067448.4	0.7250033
adalah sebuah	<input type="text" value="78370.85"/>	Uji Goodman: -0.45829855	25466758846.6	0.64673797
aku b	<input type="text" value="191871.0"/>	<input type="button" value="Reset all"/>	<input type="button" value="Menghitung"/>	

The p-value obtained is $0.6 > 0.05$ with a Sobel test statistical value of -0.39 , so it can be concluded that the CAR variable (X3) does not have a significant effect on Stock Return (Y) through Earnings Management (Z), or indirectly the Z variable does not mediate the effect of the X3 variable on the Y variable. Based on the mediation hypothesis test table above, it can be concluded in the table below with the criteria p-value sig > 0.05 then the hypothesis is rejected and if the p-value sig < 0.05 then the hypothesis is accepted.

Table 12. Hypothesis Indirect Effect

Hubungan	Hipotesis	Nilai sig	Kesimpulan
NPL → ML → RS	H8	0,6	Ditolak
ROA → ML → RS	H9	0,7	Ditolak
CAR → ML → RS	H10	0,6	Ditolak

Discussion

The Influence of Non-Performing Loans (NPL) on Profit Management

The results of data processing using Eviews show that Non-Performing Loan (NPL) has a significance value of $0.551 > 0.05$, so the NPL variable (X1) does not have a significant effect on profit management. This is in line with (Manurun, 2023). NPL has no effect on Earning management because NPL makes the bank profitable. Interest income is received and becomes bank profit, which can be given by customers. In fact, loans that have been given by the bank can be returned by customers, with the NPL obtained without carrying out Earning management, the bank has already made a profit.

The Influence of Return on Assets (ROA) on Earning Management

Based on the results of Eviews data processing, it shows that Return On Asset (ROA) has a significance value of $0.93 > 0.05$ so that the ROA variable (X2) does not have a significant effect on earnings management. The results of this study are in line with (Damayanti & Kawedar, 2021) This shows that when a company has good or bad performance, it does not affect earnings management, this is because the company's profitability as reflected through ROA has become the main concern of stakeholders so that there is little room for managers to be able to practice earnings management, thus high or low ROA does not affect earnings management.

The Influence of Capital Adequacy Ratio (CAR) on Profit Management

The results of the hypothesis test using Eviews show that the Capital Adequacy Ratio (CAR) (X3) has a significance value of 0.624 or greater than 0.05, this means that the CAR variable (X3) does not have a significant effect on earnings management or the 3rd hypothesis proposed is rejected. The results of this study are in line with (Kibtiah & Cusyana, 2020) and (Karmilah & Prastyani, 2020). The results of this study indicate that management not only needs to focus on meeting capital requirements, but also needs to consider other factors that can encourage earnings management practices, such as performance pressure and ownership structure.

The Influence of Earnings Management on Stock Returns

Based on data processing with Eviews, it shows that Earnings Management (Z) has a significance value of 0.689, which is greater than 0.05, so it can be concluded that the Earnings Management (Z) variable does not have a significant effect on stock returns. The results of this study are reinforced by research conducted by (Kencana, 2021b) or hypothesis 4 (H4) is rejected. This means that with high profits, stock returns are high and finally many investors are interested in this company, but when investors or financial analysts detect that the company has carried out earnings management, this can cause a decrease in trust and stock sales, which then lowers the stock price. To cover it up, signaling theory is associated because earnings management gives a negative signal to investors because management practices earnings management, in accordance with the stewardship theory related to company value, because the stewardship theory provides benefits to shareholders.

The Influence of Non Performing Loans (NPL) on Stock Returns

The results of the study conducted using Eviews show that X1 Non Performing Loan (NPL) has a significance value of 0.04, which is smaller than 0.05, so it can be concluded that the NPL variable (X1) has a significant effect on stock returns. The results of this study are reinforced by research conducted by (Tapokabkab & Rosyati, 2023), (Silalahi & Khairunnisa, 2019) and (Tahmat, 2020a) these results indicate that Non Performing Loan (NPL) has a significant effect on stock returns or hypothesis 5 (H5) is accepted. This shows that Non Performing Loan (NPL) has a direct impact on banking companies because basically banks in carrying out their operations are mostly from credit activities so that investors consider NPL as an important indicator. The lower this ratio affects the increase in profits so that it will have an impact on stock returns.

The Influence of Return On Assets (ROA) on Stock Returns

The significance value of Return On Asset (ROA) processed using eviews is 0.337, this value is greater than 0.05, so it can be concluded that the ROA variable (X2) does not have a significant effect on stock returns. The results of this study are reinforced by research conducted by (Silalahi & Khairunnisa, 2019), (Wulandari, 2022) and (Ramadhan & Nursito, 2021) with results stating that ROA has no effect on stock returns, so H6 is rejected. This can be caused by several factors, one of which is that ROA in private banking companies does not actually reflect or cannot generate profits for the company for investors.

The Influence of Capital Adequacy Ratio (CAR) on Stock Returns

The results of the research data processing conducted using Eviews show that the X3 Capital Adequacy Ratio (CAR) has a significance value of 0.072, which is greater than 0.05, so it can be concluded that the CAR variable (X3) does not have a significant effect on stock returns. The results of this study are reinforced by research conducted by Khatijah et al., (2020), (Pradnyawati et al., 2023) and Wulandari, (2022) with results stating that the capital adequacy ratio (CAR) does not have a significant effect on stock returns. Thus, there is a possibility of an optimal CAR level. If CAR is too low, it is indeed risky, but if it is too high, it could indicate that the bank is too conservative in distributing credit, thus inhibiting growth. Companies need to improve their performance so that banks remain in a healthy condition, so that they can attract more investors to invest.

The influence of earnings management mediating non-performing loans (NPL) on stock returns

The results of the study indicate that earnings management does not mediate Non Performing Loan (NPL) on stock returns. This is evidenced by a significance value of 0.6 greater than 0.05, so NPL does not have a significant effect on Stock Returns through Earnings Management.

The Influence of Earnings Management on Mediating Return on Assets (ROA) on Stock Returns

The results of the study indicate that earnings management does not mediate Return On Asset (ROA) on stock returns. This is evidenced by a significance value of 0.7 greater than 0.05, so ROA does not have a significant effect on Stock Returns through Earnings Management.

The Influence of Earnings Management on Mediating Return on Assets (ROA) on Stock Returns

The results of the study indicate that earnings management does not mediate Return On Asset (ROA) on stock returns. This is evidenced by a significance value of 0.7 greater than 0.05, so ROA does not have a significant effect on Stock Returns through Earnings Management.

The Influence of Earnings Management on Mediating the Capital Adequacy Ratio (CAR) on Stock Returns

The results of the study indicate that earnings management does not mediate the Capital Adequacy Ratio (CAR) on stock returns. This is evidenced by a significance value of 0.6 greater than 0.05, so CAR does not have a significant effect on Stock Returns through Earnings Management.

CONCLUSION

Based on the results of data analysis and interpretation of research results that have been conducted previously, the following conclusions can be drawn:

1. Non-Performing Loan (NPL) does not have a significant effect on profit management in Indonesian national private banking companies listed on the IDX in 2023. This means that banks with a smaller Non-Performing Loan (NPL) value, the smaller the bank will practice profit management. Likewise, if the NPL value of a bank is greater, the more the company will practice profit management.
2. Return On Assets (ROA) does not have a significant effect on profit management in Indonesian national private banking companies listed on the IDX in 2023. This shows that when the company has good or bad performance, it does not affect profit management.
3. Capital Adequacy Ratio (CAR) does not have a significant effect on earnings management in Indonesian national private banking companies listed on the IDX in 2023. This shows that intuitively, if the Capital Adequacy Ratio (CAR) value of a bank is low, the bank will be encouraged to carry out earnings management in order to meet investor or regulator expectations. However, the results of this study conclude otherwise, because earnings management activities can be carried out due to other factors.
4. Earnings Management does not have a significant effect on stock returns in Indonesian national private banking companies listed on the IDX in 2023. This means that companies with high profits have high stock returns and ultimately many investors are interested in this company, but when investors or financial analysts detect that the company has carried out earnings management, this can cause a decrease in trust and stock sales, which then lowers the stock price.
5. Non-Performing Loan (NPL) has a significant effect on stock returns in Indonesian national private banking companies listed on the IDX in 2023. This shows that Non-Performing Loan (NPL) has a direct impact on banking companies because basically banking in carrying out its operations is mostly from credit activities so that investors consider NPL as an important indicator.
6. Return On Assets (ROA) does not have a significant effect on stock returns in Indonesian national private banking companies listed on the IDX in 2023. This could be caused by several factors, one of which is that ROA in private banking companies does not reflect the actual or cannot generate profits by the company for investors.
7. Capital Adequacy Ratio (CAR) does not have a significant effect on stock returns in Indonesian national private banking companies listed on the IDX in 2023. This means that companies with higher CAR ratios will also increase the stock return value. Companies need to improve their performance so that banks remain in a healthy condition, so that they can attract more investors to invest.
8. Earnings management does not mediate Non-Performing Loan (NPL) on stock returns in Indonesian national private banking companies listed on the IDX in 2023.
9. Earnings management does not mediate Return On Assets (ROA) on stock returns in Indonesian national private banking companies listed on the IDX in 2023.

10. Earnings management does not mediate Capital Adequacy Ratio (CAR) on stock returns in Indonesian national private banking companies listed on the IDX in 2023.

Suggestion

Based on the research results, here are some suggestions that researchers can convey:

1. The results of the study show that only the Non-Performing Loan (NPL) variable has a significant effect on Stock Returns. The results of the discussion show that Non-Performing Loan (NPL) is the most determining variable for stock returns, so that it becomes a thought for banking management to maintain Non-Performing Loan (NPL) as an important point to boost stakeholder trust, while for further research, it can use the Loan Deposit Ratio (LDR) and Debt to Equity Ratio (DER) variables.
2. For companies, it is expected to further improve the quality of financial reports, that companies must ensure that financial reports are prepared transparently and accurately to avoid profit management practices that can harm investors.
3. For stakeholders, especially investors, they need to be more aware of the potential for profit management practices and conduct a more in-depth analysis of the company's financial reports. By participating in the GMS, stakeholders can convey questions and concerns regarding company management practices.
4. For further researchers, it is expected to enrich the research model by including moderating or mediating variables, such as company size, institutional ownership, or level of industry competition. And can use panel data analysis that allows researchers to analyze the dynamics of changes in variables over time and control the effects of individual companies.
5. For academics, it is expected that this research can develop a more comprehensive theoretical framework to explain the relationship between bank health, earnings management, and stock returns. And with this research will increase knowledge and provide new insights into the relationship between bank health, earnings management and stock returns. This research is also expected to stimulate academics to conduct new research with more accurate Results.

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