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AL-AMWAL

Dynamics of Fundamental Factors and Macroeconomics in Determining The Stock Prices of Islamic Banks in Indonesia

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Abstract

This study aims to analyse the influence of fundamental variables of Islamic banks in Indonesia and Indonesian macroeconomic variables on the dynamics of Islamic bank stock prices in Indonesia in the period 2020 to 2023. This study uses a quantitative method with secondary data in the form of Islamic bank financial reports and publication data from Bank Indonesia. The analysis techniques used include descriptive statistics, classical assumption tests consisting of normality tests, multicollinearity tests, autocorrelation tests, and heteroscedasticity tests, as well as panel data regression techniques. The results of the study show that EPS has a positive but insignificant effect on stock prices, NPM has a negative but insignificant impact on stock prices, inflation has a negative but insignificant effect on stock prices, and interest rates have a positive but insignificant impact on stock prices. While together, all independent variables have a positive but insignificant impact on stock prices.

Keywords*: Islamic Bank, Stocks, Fundamental, Macroeconomics*

Abstrak

Penelitian ini bertujuan untuk menganalisis pengaruh yang diberikan oleh variabel fundamental bank syariah di Indonesia dan variabel makroekonomi Indonesia terhadap dinamika harga saham bank syariah di Indonesia pada periode 2020 hingga periode 2023. Penelitian ini menggunakan metode kuantitatif dengan data sekunder berupa laporan keuangan bank syariah serta data publikasi dari Bank Indonesia. Teknik analisis yang digunakan antara lain statistik deskriptif, uji asumsi klasik terdiri dari uji normalitas, uji multikolinearitas, uji autokorelasi, dan uji heteroskedastisitas, serta teknik regresi data panel. Hasil penelitian menunjukkan bahwa EPS berpengaruh positif tidak signifikan terhadap harga saham, NPM berpengaruh negatif tidak signifikan terhadap harga saham, inflasi berpengaruh negatif tidak signifikan terhadap harga saham, dan suku bunga berpengaruh positif tidak signifikan terhadap harga saham. Sedangkan secara bersama-sama, seluruh variabel independen berpengaruh positif tidak signifikan terhadap harga saham.

Kata kunci: *Bank Syariah, Saham, Fundamental, Makroekonomi*

INTRODUCTION

One of the indicators of a country's economic progress and supporting the country's economic development is investment. Like buying and selling, investment activities are also carried out in a market called the capital market. The capital market emerged as an alternative solution for long-term financing. With the existence of the capital market, more and more companies will go public. Companies that are already listed on the capital market sometimes need fresh funds again if internal sources or loans from banks are considered inadequate or unprofitable. Companies can make another stock offering to investors either through a public offering or a limited offering. A public offering of shares is offered to investors as a whole, while in a limited public offering, shares are offered to existing shareholders at a price that is generally lower than the market price so that investors are interested in buying them. (Rusdi & Avianto, 2023).

Macroeconomic variables that investors widely use to make investment decisions are inflation rates and interest rates. Inflation is a condition of decreasing people's purchasing power caused by high increases in the prices of goods and services (Tahir et al., 2019). Inflation is defined as a consumer index price that represents the price of a product in the community. Fluctuations in inflation that occur often have an impact on capital market volatility, which affects investor decision-making. (Olweny & Omondi, 2012). Likewise, stock prices can be negatively impacted by interest rates. (Tandelilin, 2010). Stock prices fluctuate due to fluctuating interest rates on other financial products such as deposits. The attitude of investors when interest rates rise is that they will tend to divert their funds to risk-free financial instruments such as savings deposits, etc. Massive stock sales will result in a decrease in stock prices. (Sebo & Nafi, 2021). Investment and consumption will increase when interest rates fall and are inversely proportional to the interest in saving and vice versa (Ningsih & Muthmainnah, 2019).

Apart from the company's fundamental factors, investment decision-making by investors also looks at macroeconomic factors, which are also sentiments in price fluctuations in the capital market (Sasongko et al., 2022; Wartoyo & Haida, 2024). Macroeconomics does not affect company performance immediately but slowly and over a long period. On the other hand, stock prices will be affected immediately by changes in macroeconomic factors because investors react faster. When macroeconomic changes occur, investors will calculate their impact, both positive and negative, on the company's performance in the next few years, then decide to buy, sell or hold the shares in question (Samsul, 2006). Therefore, the stock price index adjusts more quickly to changes in macroeconomic variables than the performance of the company in question (Astuti, 2016; Usman et al, 2024).

According to Asnaini et al. (2023) and Wartoyo et al (2024) the pandemic is a challenge for the banking industry, including Islamic banking. Various sectors have been affected by the pandemic, including the real industry, which is one of the focuses of the Islamic banking segment in Indonesia. However, Islamic banking is known for its resilience to economic crises. This can be seen during the 1998 crisis; Islamic banking was the only industry that was able to survive and even thrive (Haida et al, 2024).

One of the indicators to determine the resilience of stock prices in Islamic commercial banks is the financial ratio. History has shown that the development of stock prices and financial ratios are essential aspects in the dynamics of economic activity (Pražák & Stavárek, 2017). When the pandemic began in 2020, there were only 3 BUS registered as issuers on the IDX with the stock code PNBS (Bank Panin Dubai Syariah), BRIS (Bank Rakyat Indonesia Syariah, consolidated into Bank Syariah Indonesia), and

BTPS (Bank Tabungan Pensiunan Syariah). Many variables can affect stock prices, but from the issuer's fundamental perspective, this study limits itself to using only independent variables, namely earnings per share (EPS) and net profit margin (NPM) because investors generally use these two variables in considering stocks to be invested in from the issuer's profitability perspective (Usman et al, 2024).

According to Priantono, Hendra, & Anggraeni (2018) Stock price is a significant factor and needs to be considered by investors because it shows the issuer's performance, which is one of the benchmarks for the success of a company as a whole. According to Musdalifah Azis (2015)Stock price is defined as the price on the real market. It is the easiest price to determine because it is the price of a stock on the ongoing market, or if the market is closed, then the market price is the closing price. According to Jogiyanto (2017)Stock price is the price that occurs on the stock exchange at a certain time, which is determined by market players and the demand and supply of the shares concerned in the capital market. According to Tandelilin (2010), the stock price is a reflection of investor expectations of earnings factors, cash flow and the level of return required by investors, where these three factors are also greatly influenced by macroeconomic performance.

So, it can be concluded that stock prices are a crucial factor for investors because they reflect the issuer's performance and are a benchmark for the company's success. Stock prices fluctuate depending on the demand and supply of shares on the stock market. Stock prices also reflect investor expectations of earnings, cash flow, and return levels that are influenced by macroeconomic performance. Stock prices in each issuer differ depending on the company's financial performance, which can attract investors to buy the company's shares and increase stock demand. Based on the background above, the researcher is interested in conducting research on 3 Islamic banks in Indonesia, using the stock prices of each bank as analysis material, both for bank fundamentals and Indonesia's macroeconomic conditions.

LITERATURE REVIEW

Companies will intentionally give signals to investors in the form of financial information ratios to show that their company is better than other companies. Companies with good financial ratio performance will experience increased demand for shares. The increased demand for these shares will result in higher stock prices (Hongbing & Fadli, 2020). Therefore, high profitability ratios, healthy debt ratios, and stable revenue growth usually provide positive signals to stock prices. There is a relationship between signal theory and inflation, where the assumption is that high inflation will cause stock prices to fall, which can be used as a signal for investors not to make significant contributions when stock prices fall (Fitriaty, 2023). Investors' response to this negative signal is to sell their stocks, which will result in oversupply and falling prices.

Fundamental analysis theory focused on a company's economic performance, which is obtained from financial report data and other information related to the company. This theory states that each stock has an intrinsic value that can be found using the company's fundamental data, such as profits, dividends, and sales growth rates (Lu et al., 2020). Fundamental analysis is used to compare the intrinsic value of a stock with its market price so that it can be determined whether the stock price reflects its inherent value or not (Nti et al., 2020). The financial ratios generated from the financial statements are the fundamental factors of the company. These financial ratios are used to conduct fundamental analysis. Financial ratios are figures obtained from the comparison of a

financial statement item with another item that has a relevant and significant relationship (Harahap, 2015). Investors need indicators to be able to predict changes in stock prices, namely by analysing the company's financial statements through calculating financial ratios so that it is expected to provide the information needed by investors. This shows a positive relationship between the company's financial performance and its stock price (Raharjo & Muid, 2013). Financial ratios that function to predict stock prices include return on equity (ROE), return on assets (ROA), debt to equity ratio (DER), current ratio (CR), earnings per share (EPS), net profit margin (NPM), and book value per share (BVS).

Efficient Market Hypothesis

The Efficient Market Hypothesis is a basic theory that describes the behaviour of "perfect" markets. Specifically, the EMH states that securities are in equilibrium, meaning that they are reasonably priced and their expected returns are equal to their required returns. At any given point in time, prices fully reflect all available information about the company and its securities, and they react quickly to new information. Because stocks already reflect all available information and are reasonably priced, investors do not waste time looking for stocks that are mispriced (undervalued or overvalued) (Gitman et al., 2015). Tandelilin (2010), stated that in the financial context, the concept of an efficient market is more emphasised on the information aspect, meaning that an efficient market is a market where the prices of all traded securities have reflected all available information. The available information can include all information, both past information (for example, last year's company profit), and current information (for example, this year's dividend increase plan), as well as information that is in the form of rational opinions circulating in the market that can influence price changes. This concept implies a process of adjusting security prices towards a new equilibrium price in response to new information entering the market.

EPS Effect on Stock Price

Fundamental analysis focuses on assessing the intrinsic value of a stock by analyzing financial statements, economic conditions, and industry factors. EPS is one of the key metrics in this analysis because it reflects a company's profitability. High EPS indicates that a company is generating significant earnings per share, which is often interpreted as a sign of financial health and growth potential. Fundamental investors look at EPS as an indicator of a company's performance, and companies with strong EPS tend to be valued higher because they are seen as profitable investments.

EPS is a significant financial performance indicator because it shows how much net income is generated per share outstanding. High EPS usually indicates that a company can generate large profits relative to the number of shares outstanding, which often attracts investors. An increase often follows an increase in EPS in stock prices because it reflects an increase in the company's profitability. Investors tend to view companies with strong EPS as suitable investments because they expect higher returns in the future.

Based on research conducted by Santika et al. (2023), EPS has a positive effect on the stock prices of sub-sector companies from the consumer non-cyclicals sector. An increasing EPS level will increase stock prices. This happens because increasing EPS is an indicator that the company is efficient in generating profits from the number of shares outstanding. Therefore, the company looks healthy in the eyes of investors, which ultimately increases investor confidence in investing capital in the form of shares in these

companies. This causes the demand for shares to grow and subsequently increases the stock price. Therefore, the first hypothesis in this study is

H1: EPS has a significant positive effect on stock prices

NPM Effect on Stock Price

NPM measures how efficiently a company manages its operating costs to generate net income. A high NPM indicates that a company can keep fixed costs low while generating high revenues, which is a sign of operational efficiency. A high NPM tends to increase stock prices because it indicates that the company has an excellent ability to manage costs and still generate profits. Investors are often attracted to companies with high NPM because it shows the potential for sustainable profits and effective management. In addition to EPS, NPM is another critical metric analyzed in fundamental analysis. NPM measures the percentage of net income to total revenue, indicating management's efficiency in controlling costs. A high NPM suggests that a company can maintain a healthy profit margin despite operating expenses. In fundamental analysis, NPM is used to evaluate a company's ability to generate consistent and efficient profits. Investors tend to have more confidence in companies with high NPM because it shows good management skills and more significant profit potential in the future.

Based on research conducted by Suryawuni et al. (2022), NPM has a positive effect on the stock price of food and beverage companies listed on the IDX. An increasing percentage of net profit margin (NPM) will increase the stock price. Like EPS, when NPM increases, investors will be interested in investing in companies that have high NPM. The reason is that when NPM is high, it means that the company can generate efficient net profit from its total revenue. The company is considered able to manage expenses and costs efficiently to generate high net profit. Therefore, the second hypothesis in this study is

H2: NPM has a significant positive effect on stock prices

Inflation Effect on Stock Price

Inflation affects people's purchasing power and companies' operating costs. High inflation rates can lead to higher prices of raw materials and production costs, which in turn can reduce companies' profit margins. High inflation generally has a negative impact on stock prices because it increases economic uncertainty and depresses companies' profitability. Companies may have to raise the prices of their products to offset the rising costs, which can reduce consumer demand. Inflation can also lead to interest rate increases by central banks, which increases borrowing costs and can facilitate corporate investment. Signalling theory emphasizes how information or changes in certain economic variables signal market participants about future conditions. Inflation is one of the variables that provide important signals. High inflation can signal investors about increasing financial risk. Inflation can indicate price pressures that can reduce consumer purchasing power and increase companies' production costs. When inflation rises, central banks may raise interest rates to control inflation, which in turn increases borrowing costs and can depress investment activity.

Based on research conducted by Mayasari (2019), it was found that inflation has a negative and significant effect on the stock prices of manufacturing companies in the food and beverage sub-sector that go public on the Indonesia Stock Exchange. High inflation will cause a decline in stock prices, which can be used as a signal for investors not to make further contributions when the price of a stock falls. Investors' response to

this negative signal is to sell the shares they own, which will result in oversupply and price declines. Therefore, the third hypothesis in this study is

H3: inflation has a significant negative effect on stock prices

Interest Rate Effect on Stock Price

Interest rates play an important role in influencing bank stock prices, although Islamic banks do not operate on an interest system. However, changes in the benchmark interest rate still have an effect because they can affect financing costs and public preferences for Islamic banking products. If interest rates rise, Islamic bank financing costs can increase, thus affecting their profitability. On the other hand, low interest rates can increase the attractiveness of more competitive Islamic products, which have the potential to improve financial performance and stock prices.

Research by Yuni Rachmawati (2018) entitled The Effect of Inflation and Interest Rates on Stock Prices in Banking Companies Listed on the LQ45 Indonesia Stock Exchange found that interest rates have a significant negative effect on banking stocks. An increase in interest rates will have a negative impact on the stock market. An increase in interest rates increases the interest required for stock investment. Investors tend to withdraw funds from the stock market and divert them to deposits or savings (Tandelilin, 2010). Therefore, the fourth hypothesis in this study is

H4: interest rate has a significant negative effect on stock prices

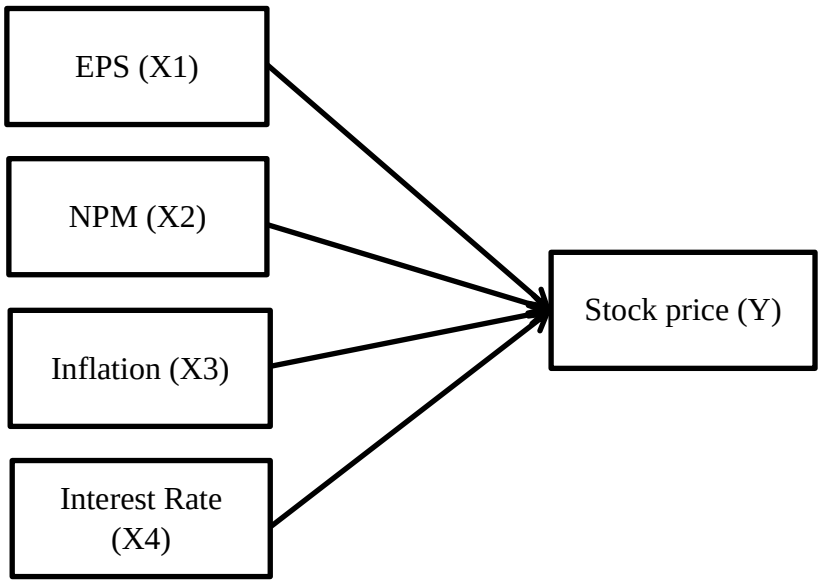

Figure 1. Research Model

METHODS

This research was conducted with a quantitative approach. Research with a quantitative approach uses a structured arrangement or steps in a research process to conclude using the results of the analysis based on parametric statistical tools (Chandrarin, 2017). This research is an inferential type of research. Descriptive research is a research method that aims to provide a comprehensive picture of the social environment or to explore and explain a phenomenon or social reality by describing various variables related to the problem being studied and the units observed among the

phenomena being tested (Widarjono, 2018). In this type of research, researchers already have a clear definition of the object of study.

The population in this research is all of the Islamic banks operating in Indonesia. According to the Islamic Banking Statistics of June 2024 published by the OJK, there are 206 Sharia banks in Indonesia consisting of 14 Islamic commercial banks, 19 Islamic business units, and 173 Islamic rural banks. The sample in this research was determined using a purposive sampling method with the following criteria: (1) Islamic banks, which are Islamic commercial banks, (2) Islamic banks listed on the Indonesia Stock Exchange (IDX/BEI), (3) Islamic banks that have conducted an initial public offering (IPO) since 2020. Based on these criteria, 3 of the 14 Islamic commercial banks in Indonesia were used as samples in this research. The type of data in this research is secondary data sourced from the quarterly financial report of each Islamic bank in Indonesia from 2020 to 2023, which was obtained from each official website, and macroeconomics data from Bank Indonesia's official website.

Panel data is a combination of time series and cross-section data. Time series data is data arranged in time sequence, such as daily, monthly, quarterly or annual data. While cross-section data is data collected at the same time from several regions, companies, individuals, and countries (Widarjono, 2018) the combination of the two types of data shows that the research variables consist of three Islamic banks (cross section) but in various time periods (time series). Data like this is called panel data. Three approaches are known for analyzing panel data models: Common Effect, Fixed Effect, and Random Effect.

Model Specification

$$\mathbf{SP_{it} = \beta_0 + \beta_1 EPS_{it} + \beta_2 NPM_{it} + \beta_3 INF_{it} + \beta_4 IR_{it} + \varepsilon_{it}}$$

Explanation:

SP_{it}	= Stock price (%)
$\beta_0, \beta_1, \beta_2, \beta_3$	= Constant
EPS_{it}	= Earnings per share (%)
NPM_{it}	= Net profit margin (%)
INF_{it}	= Inflation (%)
IR_{it}	= Interest Rate (%)
ε_{it}	= *Error term*
i	= Sector unit
t	= Time unit

RESULTS

Descriptive Statistics

Table 1. Results of Descriptive Statistical Analysis

Descriptive Statistics					
	N	Mean	Minimum	Maximum	Std. Dev.
Stock price	48	7,154166667	-58,44	200	43,32822803
EPS	48	-510,5566667	-26450	900	3826,355423
NPM	48	19,48958333	-104,1	49	22,47532207

Inflation	48	2,87625	1,33	5,95	1,506076522
Interest Rate	48	4,40625	3,5	6	0,969789679

Based on Table 1, the descriptive statistical analysis concludes that the stock price variable has a minimum value of -58.44 and a maximum value of 200. The average value (mean) of the percentage growth of stock price in Islamic banks in 2020-2023 is 7.154166667, with a standard deviation value of 43.32822803. This proves that the stock price of Islamic banks during 2020-2023 grew by 7.15%. The EPS variable has a minimum value of -26450 and a maximum value of 900. The average (mean) EPS in Islamic banks in 2020-2023 is -510.5566667, with a standard deviation value of 3826.355423. This proves that the earnings per share earned by the bank sample decreased by -510.56%. The NPM variable has a minimum value of -104.1 and a maximum value of 49. The average (mean) net profit margin (NPM) in Islamic banks in 2020-2023 is 19.48958333, with a standard deviation of 22.47532207. This proves that the average bank sample can provide a net profit from the company's sales of 19.49%.

The inflation variable has a minimum value of 1.33 and a maximum value of 5.95. Indonesia's inflation rate's average (mean) value in 2020-2023 is 2.87625, with a standard deviation value of 1.506076522. The interest rate variable has a minimum value of 3.5 and a maximum value of 6. Indonesia's average (mean) interest rate in 2020-2023 is 4.40625, with a standard deviation value of 0.969789679.

Model Significance Testing

Chow Test

Chow Test is a test conducted to select the best approach model between the Common Effect Model (CEM) and the Fixed Effect Model (FEM) by looking at the F-statistic distribution value. If the probability value of the F-statistic distribution is more than the specified significance level value, then the model used is the Common Effect Model, and if the probability value of the F-statistic distribution is less than the significance level, then the model used is the Fixed Effect Model (Widarjono, 2018).

Table 2. Redundant Fixed Effects – Likelihood Ratio Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	0,574717	(2,41)	0,5673
Cross-section Chi-square	1,327160	2	0,5150

Table 2 shows that the value of the Cross-section F Prob. of 0.5150 is greater than the actual level (α) of 0.05, (0.5150 > 0.05), so it can be concluded that the Common Effect Model (CEM) method is better than the Fixed Effect Model (FEM) method for analyzing data in this study.

Lagrange Multiplier Test

The Lagrange Multiplier (LM) test determines whether the Random Effect Model or Common Effect Model is appropriate for a study. This test uses the Chi-Squares value to determine the best model.

Table 3. Omitted Random Effects - Lagrange Multiplier Test

	Cross-section	Time	Both
Breusch-Pagan	0,584789	0,346945	0,931734
	(0,4444)	(0,5558)	(0,3344)

Table 3. shows that the results of the Lagrange Multiplier (LM) test in the Breusch-Pagan Cross-Section Chi-Square column show a value of 0.4444 > 0.05. So it can be concluded that the Common Effect model is more appropriate to use in estimating panel data than the Random Effect model.

Classical Assumption Test

The selected model is CEM; therefore, the classical assumption test must be carried out. The classical assumption test used is the multicollinearity and heteroscedasticity test (Gujarati & Porter, 2010).

Multicollinearity Test

Table 4. Correlation Between Variables

	EPS	NPM	INF	IR
EPS	1,000000	0,807210	0,095527	0,132571
NPM	0,807210	1,000000	0,370777	0,383461
INF	0,095527	0,370777	1,000000	0,441142
IR	0,132571	0,383461	0,441142	1,000000

The correlation coefficient of EPS and NPM is 0.807210 < 0.85, the correlation coefficient of EPS and inflation is 0.095527 < 0.85, the correlation coefficient of EPS and interest rates is 0.132571 < 0.85, the correlation coefficient of NPM and inflation is 0.370777 < 0.85, the correlation coefficient of NPM and interest rates is 0.383461 < 0.85, and the correlation coefficient of inflation and interest rates is 0.441142 < 0.85. So, it can be concluded that all variables are free from multicollinearity problems and pass the multicollinearity test.

Heteroscedasticity Test

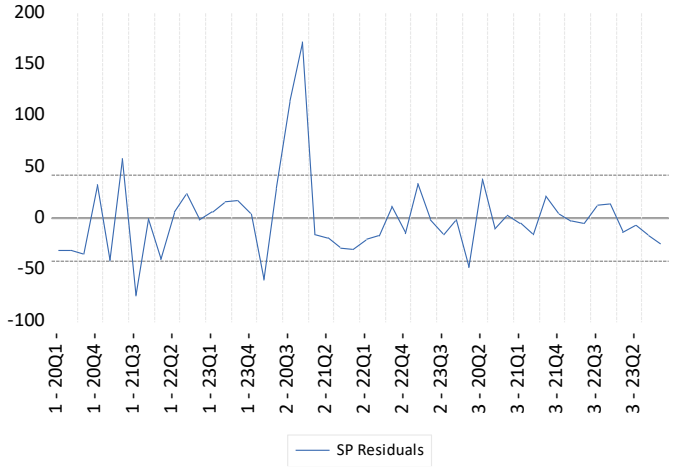

Figure 2. Residual Graph

The residual graph (blue colour) shows that it does not cross the limit (500 and -500), meaning that the residual variance is the same. Therefore, it can be concluded that there are no symptoms of heteroscedasticity; in other words, it passes the heteroscedasticity test.

Panel Data Regression Analysis

Table 5. Panel Data Regression

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	31,09664	29,10178	1,068548	0,2912
EPS	0,005636	0,002999	1,879096	0,0670
NPM	-1,093339	0,564456	-1,936979	0,0593
INF	-2,765614	4,886999	-0,565913	0,5744
IR	1,860580	7,490734	0,248384	0,8050
R-squared	0,139771	Prob(F-statistic)		0,157329
Adjusted R-squared	0,059750	Durbin-Watson stat		1,662506

Source: processed

Based on Table 5, the panel data regression equation explained is as follows:

Stock Price = 31,0966411866 + 0,00563567316926*EPS - 1,09333925909*NPM - 2,76561420336*INF + 1,86057995844*IR

Based on the regression equation above, it can be interpreted as follows:

1. Constant coefficient of 31.0966411866. This shows that if all independent variables used are equal to 0 (zero), then the percentage of stock price growth in 3 Islamic banks is 31.1%.
2. EPS has a positive effect at α = 5% (0.05) with a coefficient of 0.00563567316926. These results show that if there is an increase in the EPS growth rate of one percent with the assumption of cateris paribus, then the percentage of stock price growth in 3 Islamic banks will increase by 0.0056%.
3. NPM has a negative effect at α = 5% (0.05) with a coefficient of -1.09333925909. The results show that if there is an increase in the NPM ratio of 1% assuming cateris paribus, then the percentage of stock price growth in 3 Islamic banks will decrease by 1.09%.
4. Inflation has a negative effect at α = 5% (0.05) with a coefficient of -2.76561420336. The results show that if there is an increase in inflation of 1% assuming cateris paribus, then the percentage of stock price growth in 3 Islamic banks will decrease by 2.77%.
5. Interest rates have a positive effect at α = 5% (0.05) with a coefficient of 1.86057995844. The results show that if there is an increase in interest rates of 1% assuming cateris paribus, then the percentage of stock price growth in 3 Islamic banks will increase by 1.86%.

Hypothesis Testing

Partial Test (t-Test)

The t-test aims to test how the coefficient of each independent variable individually influences the dependent variable. In this study, the t-test was conducted at a 95 percent confidence level (α = 0.05) with a degree of freedom (n-k-1) (n = number of observations, k = number of independent variables) so that the degree of freedom is 43.

Table 6. T-Test

Variable	t-Statistics	t-Table	Prob.	Conclusion
EPS	1,879096	2,017	0,0670	Ha rejected
NPM	-1,936979	2,017	0,0593	Ha rejected
Inflation	-0,565913	2,017	0,5744	Ha rejected
Interest Rate	0,248384	2,017	0,8050	Ha rejected

Table 6. shows that all independent variables partially do not have a significant effect on the percentage of stock price growth in 3 Islamic banks in Indonesia in the period 2020 to 2023.

Simultaneous Test (F Test)

Table 7. F-Test

F-Statistics	F-Table	Prob.	Conclusion
1,746678	2,59	0,157329	Ha rejected

Based on Table 7, the F-statistic value is 1,746678, and the F-table value is 2,59. This shows that the F-statistic value is smaller than the F-table, so H0 is accepted and Ha is rejected, meaning that EPS, NPM, inflation, and interest rates together do not significantly affect the percentage of stock price growth in 3 Islamic banks in Indonesia from 2020 to 2023. The coefficient of determination in this study is 0,139771 or 13,98%. This shows that the variables EPS, NPM, inflation, and interest rates can explain the variation in the percentage of stock price growth in 3 Islamic banks in Indonesia from 2020 to 2023 by 13,98%. Other factors outside the model explain the remaining 86,02%.

DISCUSSION

Earening Per Share (EPS) is a financial ratio that measures a company's profitability by comparing net profit with the number of shares outstanding so that it is obtained how many rupiahs of profit can be generated from each share outstanding. The results of this study found that the EPS growth variable has a positive but insignificant relationship to the percentage of stock price growth rate in three Islamic banks in Indonesia in 2020-2023. The results of this study are in accordance with research conducted by Fitra and Nursito (2022) and Santika et al. (2023). The results of their research stated that a higher EPS ratio level would please shareholders because the more significant the profit provided to shareholders. This effect also has an impact on potential investors who will consider investing in issuers with high EPS because high EPS is expected to generate high returns. Furthermore, the law of supply and demand occurs; with increasing demand for shares in an issuer, the issuer's stock price also increases. As evidenced by the issue of the establishment of BSI in early 2021, investors flocked to buy BRIS shares (at that time, still BRI Syariah), which caused BRIS stock prices to soar by 200% in the last quarter of 2020.

Like EPS, the NPM ratio is also used to measure a company's profitability by comparing the percentage of net profit generated to the total revenue obtained. Prospective investors tend to be interested in issuers that can maximize their net profit, meaning that the issuer can efficiently reduce expenses and costs and can maximize revenue. However, the same results as this study were found in studies conducted by Rahmat and Fathimah (2022), Gunawan (2022), and Santika et al. (2023). Their research states that an increase in the NPM ratio will lower stock prices, meaning that the relationship between NPM and stock prices is negative. Sometimes, investors value companies with high long-term growth expectations more highly, even if their NPM is relatively low. On the other hand, companies with high NPM but low growth expectations do not always get high ratings in the eyes of investors. For example, in the fourth quarter of 2020, BRI Syariah's NPM was recorded to have fallen by 0.5 percent with the BRIS stock price which was contradictory by increasing drastically by 200 percent in the same quarter. The reason is that stock investors see investment opportunities in BRIS, which will consolidate into BSI, so NPM is no longer an essential benchmark in their analysis.

Investors tend to consider various financial ratios and other factors, such as ROE (Return on Equity), debt, revenue growth, and management strategy, not just NPM, when assessing the value of a company.

Inflation has a negative effect on stock prices because inflation can increase production and operational costs, which in turn suppresses the company's profit margin. However, this effect is often insignificant because many other variables, such as investor expectations, monetary policy, and overall economic performance influence the stock market. Usually, inflation expectations are already reflected in stock prices, so the impact is not always directly or significantly visible. The results of this study are in line with research conducted by Sebo and Nafi (2021) which revealed that the increase in inflation during the pandemic did not significantly reduce stock prices but still had an effect. This was due to the increase in inflation, which was still in the low category, namely the inflation rate below 10%.

The positive but insignificant effect of interest rates on the stock prices of Islamic banks can be caused by a different business model from conventional banks. Islamic banks do not rely on interest as their primary source of income but rather on a profit-sharing system and sharia-based transactions such as buying and selling or renting. This structure makes Islamic bank stocks less sensitive to interest rate fluctuations. Investors' optimistic perceptions about the stability and profitability of Islamic banks can also reduce the negative impact of changes in interest rates on the stock prices of Islamic banks. The results of this study are in line with previous research by Nurliana (2017) which states that interest rates have a positive effect on stock prices. The increase in interest rates during the pandemic, which was not too high, made investors maintain their investments in stocks and not switch to saving activities in banks. This also indicates that the level of confidence in investing in food and beverage sector companies is increasing.

CONCLUSION

Based on the partial significance test, the EPS variable has a positive but insignificant effect on the percentage of stock price growth rate in three Islamic banks in Indonesia. This is indicated by the EPS t-count value of 1,879096, which is smaller than the t-table value of 2,017 with a significance level of $\alpha = 0,05$. The NPM variable has a negative but insignificant effect on the percentage of stock price growth rate in three Islamic banks in Indonesia. This is indicated by the NPM t-count value of 1,936979, which is smaller than the t-table value of 2,017 with a significance level of $\alpha = 0,05$. The inflation variable has a negative but insignificant effect on the percentage of stock price growth rate in three Islamic banks in Indonesia. This is indicated by the inflation t-count value of 0,565913, which is smaller than the t-table value of 2,017 with a significance level of $\alpha = 0,05$. In otherwise the interest rate variable has a positive but insignificant effect on the percentage of stock price growth rate in three Islamic banks in Indonesia. This is indicated by the t-value of the interest rate of 0,248384, which is smaller than the t-table value of 2,017 with a significance level of $\alpha = 0,05$.

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