International Journal of Economic Integration and Regional Competitiveness
Homepage: https://e-journal.antispublisher.id/index.php/IJEIRC
Email: admin@antispublisher.com

e-ISSN: 3032-1301
IJEIRC, Vol. 3, No. 3, March 2026
Page 57-75

The Effect of Exchange Rates, Interest Rates, and Profitability on Banking Stock Prices on the IDX for the 2020-2024 Period

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DOI: https://doi.org/10.61796/ijeirc.v3i13.505

Sections Info

Article history:
Submitted: December 06, 2025
Final Revised: January 20, 2026
Accepted: February 10, 2026
Published: March 17, 2026

Keywords:
exchange rate
interest rate
profitability
stock price
banking

ABSTRACT

Objective: *This study aims to analyze the effects of exchange rates, interest rates, and profitability on stock prices in the banking sector on the Indonesia Stock Exchange for the period 2020–2024.* ***Method:*** *The subjects of this study are banking companies listed on the IDX, with a sample of 7 companies selected through purposive sampling. This study employs a quantitative approach using data collection methods in the form of financial statement documentation. The data sources used are secondary data obtained from company financial statements and related publications. Data analysis techniques utilize multiple linear regression with the assistance of SPSS software, as well as through the stages of classical assumption testing and hypothesis testing.* ***Results:*** *The results of the study indicate that (1) the exchange rate have a positive significant effect on the price of banking stocks; (2) interest rates have a negative significant effect on the price of banking stocks; (3) profitability has a positif significant effect on the price of banking stocks; (4) simultaneously, the three variables can explain 23.5% of the variation in stock prices; (5) macroeconomic and internal company factors, especially profitability, have a more equal influence on share prices; (6) there are other factors outside the research model that also influence banking stock prices.* ***Novelty:*** *This study analyzes the combined effects of exchange rates, interest rates, and profitability on banking stock prices in Indonesia using data from the 2020–2024 period.*

INTRODUCTION

The development of the banking sector is an important indicator in reading the economic conditions of a country. During the 2020-2024 period, the Indonesian economy experienced significant macroeconomic dynamics, both from the perspective of monetary policy and the response of economic agents [1]. An interesting phenomenon is that the Indonesian banking sector experienced relatively strong credit growth despite increases in the benchmark interest rate [2]. Theoretically, an increase in interest rates should slow down credit demand because borrowing costs become more expensive for the public and business units. This situation was driven by the post-pandemic recovery in financing demand, maintained banking liquidity, and increased bank profitability [3]. The chart of BI Rate fluctuations for the 2020-2024 period shows quite significant changes in interest rate policy as a response to global and domestic economic dynamics. In 2020-2022, the BI Rate experienced a significant decline and began to rise gradually from low post-pandemic levels as an effort to control inflation and maintain economic stability. This monetary tightening trend continued into 2023, with the interest rate sitting at a relatively higher and stable level. Entering 2024, the BI Rate tended to be maintained at a high level, reflecting a cautious monetary policy amid ongoing global economic uncertainty.

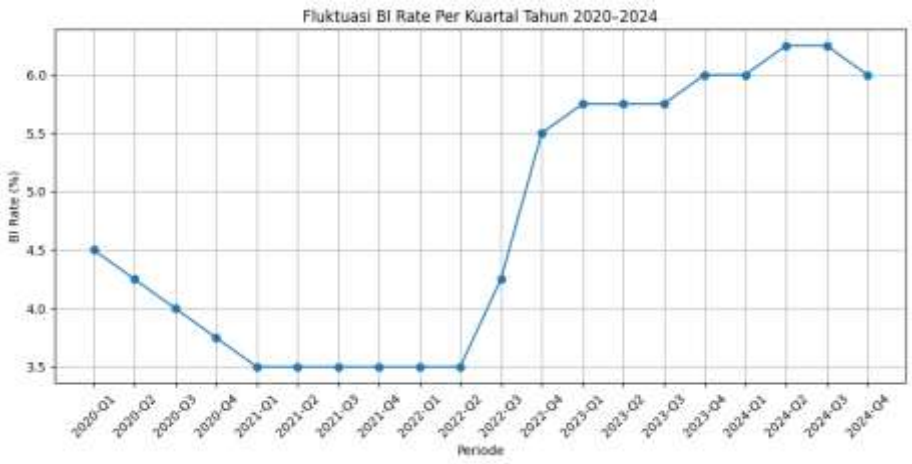

Figure 1. Fluctuations of the Indonesian BI Rate 2020-2024 / Source: Bank Indonesia (processed data

On one hand, an increase in interest rates can be perceived as a negative signal because it has the potential to suppress credit demand and increase non-performing loan risks [4]. On the other hand, sustained credit growth can actually be viewed as a positive signal regarding revenue prospects and the sustainability of banking performance [5]. This imbalance in perception caused investor responses to banking stocks to be non-uniform, as reflected in stock price fluctuations on the Indonesia Stock Exchange. This condition was further reinforced by fluctuations in the rupiah exchange rate, which also affected the stability of the financial sector and the level of risk faced by banks. Exchange rate fluctuations throughout 2020-2024, especially the depreciation pressure of the rupiah against the US dollar, raised market concerns over economic stability and financing risks [6]. For banking, a weakening exchange rate can increase credit risk, particularly for debtors with foreign currency obligations, and affect fund costs as well as investor risk perception. The market often responds to this condition with adjustments to banking stock prices, even though the direct impact on financial performance is not always instantaneous [7]. Thus, credit growth in this period indicates a complex interaction between interest rate policy and exchange rate dynamics, which indirectly affects banking performance. Good performance reflects operational efficiency, effective risk management, and healthy capital capacity, which directly increases the bank's ability to generate profits (profitability) [8].

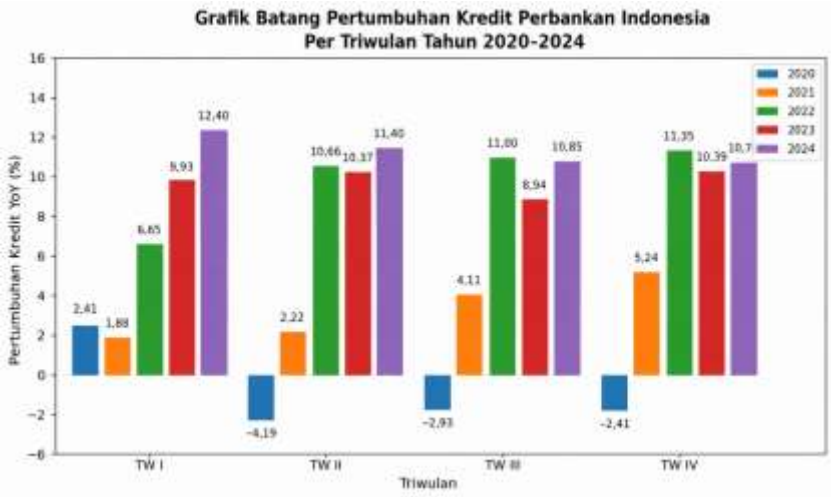

Figure 2. Bar chart of Indonesian banking credit growth per Quarter
Source: Bank Indonesia and OJK (processed data)

Sustainable credit growth has a direct impact on banking profitability, reflected in the bank's ability to generate profits through increased interest income and operational efficiency. However, even though profitability showed a relatively improving trend, the movement of banking stock prices on the Indonesia Stock Exchange did not always align with this performance improvement [9]. This indicates that the market does not only consider the bank's internal performance but also responds to macroeconomic pressures such as changes in the rupiah exchange rate and interest rate policies [10]. This condition suggests that the influence of profitability on banking stock prices can be strengthened or weakened by macroeconomic factors [11]. Various previous studies examining the effect of macroeconomic factors and financial performance on stock prices show inconsistent results. Research [12] proves that the exchange rate has a significant effect on stock prices because exchange rate fluctuations affect investor expectations, investment risk levels, and perceptions of economic stability, thereby directly impacting stock price movements in the capital market. In line with this, research [13] and [14] explain that fluctuations in the Rupiah exchange rate against the US dollar have a direct impact on company performance, making exchange rate changes one of the macroeconomic indicators considered by investors in investment decision-making. However, research [15] states that the exchange rate does not have a significant effect on stock prices, arguing that companies, especially in the banking sector, already possess the ability to manage exchange rate risks and that investors focus more on internal fundamental factors compared to macroeconomic conditions. Other studies [16] and [17] explain that the insignificant effect of the exchange rate on stock prices is due to the characteristics of companies that have strong fundamentals and good risk management capabilities, so exchange rate fluctuations do not directly affect investor decisions in the stock market.

Previous research states that changes in interest rates have a significant effect on stock prices through the mechanism of capital costs and the shift in investor preferences

from stocks to interest-based instruments [18]. Research [19] and [20] support the findings that changes in interest rates play an important role in influencing the performance of banking stocks in the capital market. An increase in interest rates is considered capable of increasing banking income through higher interest income, which ultimately impacts the increase of bank profits and financial performance. However, there are inconsistencies in other results; research [21] shows that interest rates do not have a significant effect due to the stability of company performance and the market's ability to anticipate monetary policy. This is supported by findings from research [22] and [23]. These findings indicate that changes in interest rates do not directly affect stock price movements because investors tend to be oriented toward short-term transactions and prioritize capital gain opportunities over changes in interest rates.

Similarly, regarding the profitability variable, research [24] found that profitability has a significant effect on stock prices because it demonstrates the company's capability to generate profits and serves as a positive signal for investors. Research [25] and [26] support these findings by explaining that investors use profitability as one of the main indicators in investment decision-making, as stable and increasing profits reflect good future company prospects. This condition drives an increase in stock demand, thus directly impacting the rise in stock prices. However, other research [27] states that profitability (ROE) does not have a significant effect on stock prices because profit information has been previously reflected in stock prices, alongside the influence of external factors and market sentiment. Findings [28] and [29] also explain similar points, suggesting that this insignificance is presumably because there are other factors outside fundamental performance (such as net profit) that influence stock prices more, such as interest rates, the composite stock price index, as well as news and rumors. The differences in these research results indicate the presence of an empirical research gap, confirming that the relationship between exchange rates, interest rates, and profitability on stock prices is still contextual and not yet conclusive. Therefore, further research is required to specifically re-test the influence of these three variables on banking sector stock prices on the Indonesia Stock Exchange in a more recent research period to obtain stronger empirical evidence relevant to current market conditions.

Problem Formulation: The problem formulation in this research is to determine how the exchange rate, interest rate, and profitability affect banking stock prices on the IDX for the 2022-2024 period.

Research Questions:

1. Does the Exchange Rate have a significant effect on banking sector stock prices on the IDX?
2. Does the Interest Rate have a significant effect on banking sector stock prices on the IDX?
3. Does Profitability have a significant effect on banking sector stock prices on the IDX?

SDGs Category: This research falls under SDG Goal Eight (8), aiming to examine the stability and efficiency of the financial sector, which is the backbone of national economic growth, and to analyze how macroeconomic factors affect the capital market in creating a healthy investment climate. The benefit of this research can be seen from its contribution to strengthening an inclusive and sustainable economic foundation through the financial sector, particularly the capital market and the banking sector. https://sdgs.un.org/goals/goal8

LITERATUR RIVIEW

Signaling Theory

Signaling theory explains that information published by a company will be captured by investors as a signal regarding the company's current condition and future prospects. In the context of the capital market, such signals can take the form of financial information, management policies, or the company's response to external conditions. Investors will interpret these signals as a basis for making investment decisions, which are then reflected in stock price changes [30]. In the banking sector, profitability becomes one of the primary signals reflecting the bank's ability to manage assets, capital, and risk amid macroeconomic dynamics; where the higher the profit generated, the more the company tends to convey positive news, and conversely, the lower the profitability, the more the company may tend to hide it from investors [31]. When macroeconomic conditions face pressure, such as a weakening exchange rate or rising interest rates, investors do not only look at these macro variables in isolation but also assess the extent to which banks are able to maintain their profitability performance [32]. Thus, profitability acts as an internal signal that can strengthen or weaken the impact of external signals from exchange rate and interest rate changes on stock prices.

Stock Price

Banking sector stock prices reflect the market value of banking companies listed on the stock exchange. These stock prices are highly sensitive to changes in macroeconomic factors such as exchange rates, interest rates, and the company's own fundamental conditions. Financial performance metrics like ROE are also frequently associated with bank stock price movements because they reflect growth prospects and profitability [33].

Exchange Rate

The exchange rate is the price of one country's currency in terms of another country's currency, reflecting the relative strength between the two currencies in international transactions [34]. In the context of an open economy like Indonesia, the exchange rate plays a vital role because it affects capital flows, exports-imports, and even overall financial stability. Changes in the exchange rate can affect export competitiveness and the performance of companies dependent on imported raw materials, including the

banking sector. The exchange rate is a direct reflection of market perception regarding a country's economic strength. In the context of the capital market, especially in developing countries, exchange rate fluctuations often cause significant pressure on stocks, particularly banking stocks exposed to international transactions and foreign capital. A study conducted by [35] shows that the exchange rate has a significant effect on financial sector stock prices. Changes in the rupiah exchange rate can impact investor perceptions of economic conditions and banking company performance, thereby affecting stock price movements.

H1: The Exchange Rate partially has a significant effect on Banking Stock Prices.

Interest Rate

The interest rate is the return given for borrowing funds, whether in the form of deposits, bonds, or bank loans. In a macroeconomic context, the interest rate is the primary instrument of monetary policy that directly impacts consumption levels, investment, and exchange rates. High interest rates tend to reduce borrowing and investment activities, which can suppress stock prices, including banking sector stocks [36]. In study [37], the interest rate has a significant effect on banking stock prices on the Indonesia Stock Exchange. Changes in interest rates can impact investors' investment decisions and also the profitability status of banking companies, thereby affecting stock price movements. Another study [38] also shows that interest rate fluctuations have a significant impact on financial sector stocks. As such, the interest rate becomes an important macroeconomic indicator in determining changes in banking stock prices.

H2: The Interest Rate partially has a significant effect on Banking Stock Prices.

Profitability

Profitability depicts a company's ability to generate profit from the assets or capital it owns. Ratios often used to measure profitability are Return on Assets (ROA) and Return on Equity (ROE). According to other studies, profitability is an indicator of management's performance in managing available resources to create value for shareholders. The higher the level of profitability, the higher the investor interest in the company's stock [39]. Previous research also shows that profitability has a positive and significant effect on banking stock prices because high profits increase investor confidence and reflect the bank's operational efficiency [40]. Based on these expert definitions, profitability is used to measure the effectiveness of a company in generating profit by utilizing its assets. Research [41] found that profitability ratios like ROA and ROE have a positive and significant effect on banking sector stock prices. This result is reinforced by [42], stating that the higher the level of profitability, the greater the opportunity for a stock price increase because investors perceive a high potential return.

H3: Profitability partially has a significant effect on Banking Stock Prices.

METHODOLOGY

Type of Research

This research uses a quantitative method, which emphasizes hypothesis testing based on numerical data processed using statistical methods. This method was chosen because this study aims to measure how much influence the independent variables—exchange rate (X_1),interest rate (X_2)and profitability (X_3)—have on the dependent variable, which is the stock price (Y) of the banking sector.

Population, Sample, and Sampling Technique

The data collection technique uses literature sources and documentation studies in the form of secondary data, namely company financial statements. The population used in this study consists of 47 banking companies listed on the Indonesia Stock Exchange during the 2020-2024 period. This study uses a purposive sampling technique. The sample in this study consists of 7 companies chosen based on the following criteria:

Table 1. Population and Sample.

No	Sample Criteria	Amount
1.	Banking companies listed on the Indonesia Stock Exchange (IDX) for the 2022-2024 Period	47
2.	Stocks of banking companies that recorded positive net profit reports for most years of the 2020-2024 period	42
3.	Banking companies that did not experience temporary trading suspensions (Suspend) and unusual stock price spikes (UMA - Unusual Market Activity)	40
4.	Banking companies that were once part of the LQ45 stock index in the 2020-2024 period	7
	Total sample used as research objects	7

Data Analysis Technique

The data analysis method used in this research is multiple linear regression analysis with the help of SPSS 26 software. The analysis stages performed include descriptive statistical analysis, classical assumption testing, and research hypothesis testing.

Descriptive Statistical Analysis.

Descriptive statistical analysis is used to provide a general overview of the data characteristics of each variable studied. This analysis includes calculating the mean, minimum value, maximum value, and standard deviation of the collected data. The results of the descriptive analysis show the state and variation of data for each variable, providing an initial overview of tendencies and relationship patterns between independent variables and the dependent variable in this study.

Classical Assumption Test

1. Normality Test: The normality test is conducted to determine whether the data used in the regression model are normally distributed. This test is performed using the Kolmogorov-Smirnov (K-S) non-parametric statistical test with a significance level of 0.05 or $\alpha = 5\%$. Data are declared normally distributed if the significance value is greater than 0.05. Conversely, if the significance value is smaller than 0.05, the data are declared not normally distributed.

2. Multicollinearity Test: The multicollinearity test aims to detect strong correlations between independent variables within the regression model. Multicollinearity detection is done by looking at the Tolerance and Variance Inflation Factor (VIF) values. A regression model is said to be free from multicollinearity if the tolerance value is greater than 0.01 and the VIF value is less than 10. Conversely, a low tolerance value and a high VIF indicate multicollinearity issues in the research.

3. Heteroskedasticity Test: The heteroskedasticity test is used to assess whether there is an inequality of residual variance across observations in the regression model. A good regression model is characterized by homoskedasticity, where the residual variance remains constant. In this study, the heteroskedasticity test is conducted using the scatterplot method by observing the spreading pattern of dots between the residual values (ZRESID) and predicted values (ZPRED). If the dots spread randomly without forming a specific pattern, and are scattered above and below the zero line, it can be concluded that heteroskedasticity does not occur in the regression model. Conversely, if they form a specific pattern (like waves, narrowing, or widening), it indicates heteroskedasticity.

4. Autocorrelation Test: The autocorrelation test aims to determine whether there is a correlation between residuals across different observation periods. This test is conducted using the Durbin-Watson (DW) test. The decision-making criteria are as follows:

1. DW< dL positive autocorrelation exists
2. dU < DW < (4-dU) no autocorrelation exists
3. DW > (4-dU) negative autocorrelation exists

Multiple Linear Regression Analysis

The impact of multiple linear regression analysis can be discovered through the formula. The multiple linear regression model formula used in this research is:

$$\mathbf{Y=\alpha}+\beta_1 X_1+\beta_2 X_2+\beta_3 X_3+e$$

Description:

Y	: Banking Stock Price
α	: Constant
X1	: Exchange Rate
X2	: Interest Rate
X3	: Profitability

β : Regression Coefficient
Regresi e : Error

Operational Definition and Measurement of Variables

Banking Stock Price (Y)

Banking stock price is the value of banking company shares reflected through the mechanism of supply and demand in the capital market. Stock price is an important indicator for investors to assess a bank's performance and prospects because it reflects market expectations toward the company's future ability to generate profit. Stock price changes can be influenced by various factors, both internal to the company and external like macroeconomic conditions. In this study, banking stock prices are measured using the Closing Price at the end of the observation period obtained from official IDX data.

Stock Price=Closing Price

Exchange Rate (X1)

The exchange rate is the comparison value of one country's currency against another country's currency and reflects national economic stability. Fluctuations in the Rupiah exchange rate against foreign currencies, especially the US Dollar, can affect banking sector performance through changes in credit risk, funding costs, and investor sentiment in the capital market. Therefore, exchange rate movements have the potential to directly or indirectly impact banking stock prices. The exchange rate in this research is measured using the middle rate of the Rupiah against the US Dollar (USD) published by Bank Indonesia.

$$\text{Exchange Rate} = \frac{\text{Selling Rate} + \text{Buying Rate}}{2}$$

Interest Rate (X2)

The interest rate is the yield applied as a cost for utilizing funds within a specific timeframe and serves as the primary instrument in monetary policy. Changes in interest rates can affect credit costs, consumption levels, and investment decisions, which ultimately impact the performance and valuation of banking stocks. For instance, an increase in interest rates can raise a bank's interest income but also potentially suppress credit demand. The interest rate variable in this research is measured using Bank Indonesia's benchmark interest rate, namely the BI 7-Day Reverse Repo Rate, which reflects monetary conditions during the research period.

$$\text{SBI} = \frac{\text{SBI}_t - \text{SBI}_{t-1}}{\text{SBI}_{t-1}}$$

Profitability (X3)

rofitability shows the capability of a banking company to generate profits from all the resources it possesses. A high level of profitability reflects management effectiveness in managing assets and serves as a positive signal for investors. Thus, profitability is often used as a consideration basis in investment decision-making that impacts banking stock

price movements. In this study, profitability is measured using Return on Equity (ROE), with the following formula:

$$\text{Return on Equity} = \frac{\text{Profit after tax}}{\text{Capital}} \times 100\%$$

RESULTS AND DISCUSSION

A. Descriptive Statistical Analysis

Table 2. Descriptive Statistical Analysis

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Exchange Rate	35	14313.76	15846.90	14971.7140	546.17622
Interest Rate	35	3.52	6.10	4.7340	1.03957
Profitability	35	-18.03	27.31	13.6711	8.86016
Stock Price	35	1140.00	16000.00	4924.1143	3127.28615
Valid N (listwise)	35				

Source: Secondary Data processed 2026

Based on Table 2, it is known that the minimum value for the exchange rate is 14,313.76 and the maximum value is 15,846.90. The mean is 14,971.7140 and the std. deviation is 546.17622. The minimum value for the Interest rate is 3.52% and the maximum value is 6.10%. The mean is 4.73% and the std. deviation is 0.010466. The minimum value for Profitability is -18.03% found in PT Bank Jago Tbk and the maximum value is 27.31% found in PT Bank Mandiri (Persero) Tbk. The mean is 13.67% and the std. deviation is 8.867%. The minimum value for the stock price is Rp 1,140 for PT Bank Tabungan Negara Tbk and the maximum value is Rp 16,000 for PT Bank Jago Tbk. The mean is Rp 4,924 and the std. deviation is 3127.28615.

B. Classical Assumption Test

Before carrying out the regression test, the classical assumption tests are conducted first to determine if the data used met the requirements for a regression model.

1. Normality Test

Table 3. Normality Test Results (One-Sample Kolmogorov-Smirnov Test)

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		34
Normal Parameters[a,b]	.0000000	.0000000
	.13059075	2127.595070
Most Extreme Differences	.134	.95
	.130	.95
	-.134	-.79
Test Statistic		.134
Asymp. Sig. (2-tailed)		.130[c]

Source: Secondary Data processed 2026

Based on Table 3, looking at the significance value of Kolmogorov-Smirnov, the Asymp. Sig. (2-tailed) obtained is 0.130, which is greater than 0.05. Therefore, it can be concluded that the residual data in the regression model are normally distributed, meaning the normality assumption is fulfilled.

2. Multicollinearity Test

Table 4. Multicollinearity Test Results

Coefficients[a]							
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	6702.266	34258.899		.196	.847		
	Exchange Rate	-.436	2.557	-.069	-.170	.867	.241	4.157
	Interest Rate	219.037	1107.967	.080	.198	.846	.240	4.163
	Profitability	194.405	68.696	.565	2.830	.012	.996	1.004

Source: Secondary Data processed 2026

Based on Table 4, it can be seen that the VIF value of each variable is below 10 and the tolerance value of each variable is greater than 0.1, meaning there is no relationship or correlation between one independent variable and another. From the table above, it can be stated that the research data do not experience multicollinearity, making the regression model feasible for predicting the Stock Price.

3. Heteroskedasticity Test

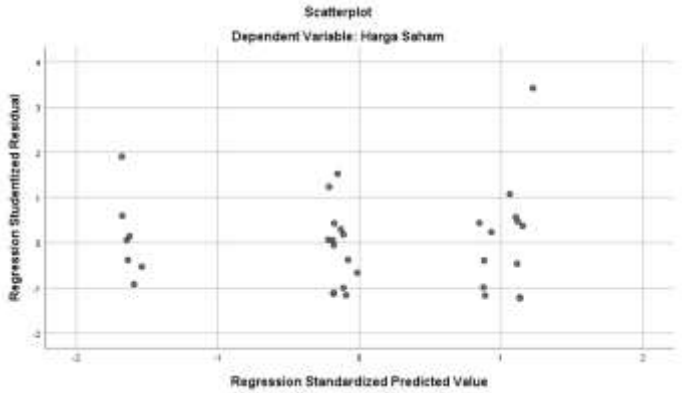

Figure 3. Heteroskedasticity Test using the scatterplot method
Source: Secondary Data processed 2026

Figure 4 shows no clear pattern, and the dots are spread above and below the 0 mark on the Y-axis, meaning heteroskedasticity does not occur.

4. Autocorrelation Test

Table 5. Autocorrelation Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.892[a]	.795	.775	.12127	2.150

From the autocorrelation test results, the Durbin Watson value obtained is 2.150. With n=35, k=3, the dU value is 1.2833 and the dL value is 1.6528. Based on the criteria dL<DW<(4-dU), the result obtained is 1.6519<2.150<2.3472. Therefore, there is no autocorrelation in this research.

C. Multiple Linear Regression Analysis Test

Table 6. Multiple Linear Regression Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-4.969	.100		-49.595	.000
	Exchange Rate	.752	.010	1.000	72.012	.032
	Interest Rate	-3.449	.335	-.143	-10.304	.000

	Profitability	.067	.022	.043	3.092	.004

a. Dependent Variable: Stock Price

Source: Secondary Data processed 2026

Based on Table 6, the multiple linear regression equation obtained is as follows:

$$Y= -4,969 + 0,752\ X1 - 3,449\ X2 + 0,067\ X3 + e$$

From this equation, it can be explained that:

1. The regression constant value (a) of -4.969 shows that if the independent variables Exchange rate (X1), Interest rate (X2), and Profitability (X3) are valued at 0, the dependent variable (Stock Price) will be -4.969.

2. X1 is the Exchange Rate variable which has a regression coefficient value of 0.752. This means that a 1% increase in the exchange rate variable will decrease the stock price by 0.752, assuming other variables remain constant. The coefficient is positive, meaning there is a positive relationship between the exchange rate and the stock price.

3. X2 is the Interest Rate variable which has a regression coefficient value of -3.449. This means that a 1% increase in the interest rate variable will increase the stock price by -3.449, assuming other variables remain constant. The coefficient is negative, meaning there is a negative relationship between the interest rate and the stock price.

4. X3 is the Profitability variable which has a regression coefficient value of 0.067, assuming other variables remain constant. The coefficient is positive, meaning there is a positive relationship between profitability and the stock price.

D. Hypothesis Test

The testing of the proposed hypotheses is carried out as follows:

Partial T-Test

Table 7. Partial T-Test (Coefficients a)

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-4.969	.100		-49.595	.000

Nilai Tukar	.752	.010	1.000	72.012	.032
Suku Bunga	-3.449	.335	-.143	-10.304	.000
Profitabilitas	.067	.022	.043	3.092	.004

a. Dependent Variable: Harga Saham

Source: Secondary Data processed 2026

Based on the partial test results from Table 7, it can be concluded that:

1. The Exchange Rate variable has a calculated t value of 72.012 and a sig value of 0.032. Because the sig value <0.05, the exchange rate has a positive and significant effect on the stock price, meaning the first hypothesis is accepted.
2. The Interest Rate variable has a calculated t value of -10.304 and a sig value of 0.000. Because the sig value <0.05, the Interest Rate has a negative and significant effect on the stock price, meaning the second hypothesis is accepted.
3. The Profitability variable has a calculated t value of 3.092 and a sig value of 0.004. Because the sig value <0.05, profitability has a positive and significant effect on the stock price, meaning the third hypothesis is accepted.
4.

Coefficient of Determination Test

Table 8. Coefficient of Determination Test

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.485[a]	.235	.161	.00605

Source: Secondary Data processed 2026

The table above shows that the coefficient of determination value is in the R Square column. It can be concluded that the coefficient of determination value is 0.235. This value means that all independent variables, namely Exchange Rate, Interest Rate, and Profitability, exert an influence on the Stock Price variable by 0.235 or 23.5%, while the remaining 76.5% is explained by other factors not examined in this study.

Discussion

The Effect of the Exchange Rate on Stock Prices

The results of the study show that the exchange rate has a positive and significant effect on banking stock prices, meaning that any change in the rupiah value can influence the movement of banking company stocks in the capital market. When the rupiah strengthens, this condition usually provides a signal that economic stability is in a better state [43]. This situation is able to increase investor confidence so that interest in banking stocks increases, leading to an increase in stock prices. Conversely, when the rupiah

weakens, investors tend to be more cautious as this condition is considered to increase economic risks and financial sector risks. As a result, investor interest in banking stocks may decline, causing stock prices to decrease as well [44]. The results of this study are in line with research [12] which states that the exchange rate has a significant effect on stock prices because changes in the exchange rate affect investor risk perceptions and capital market stability. This finding is also supported by research [13] and [14], explaining that fluctuations in the Rupiah exchange rate against the US dollar have a direct impact on company performance, making exchange rate changes one of the macroeconomic indicators considered by investors in investment decision-making.

The Effect of Interest Rates on Stock Prices

The results of the study indicate that interest rates have a negative and significant effect on banking stock prices. This means that every change in the interest rate level is able to influence investor decisions when investing in banking stocks [45]. The negative direction means that when interest rates rise, borrowing costs become higher, so the public and business entities tend to reduce credit activities. This situation can affect bank profit growth because credit distribution slows down. Consequently, investors may respond by lowering their interest in banking stocks, causing stock prices to decline [46]. Conversely, if interest rates decrease, borrowing costs become lighter, so credit activities have the potential to increase. This condition provides an opportunity for banks to increase income and profit growth. This situation is able to boost investor confidence, so banking stock prices tend to rise.

In addition, an increase in interest rates also causes some investors to shift their investment funds to interest-based financial instruments like deposits and bonds because they are considered more stable and have lower risks compared to stocks. This fund transfer also affects stock demand in the capital market. The results of this study are in line with research [18] which states that interest rates have an influence on stock prices because they affect capital costs, credit activities, and investor investment decisions. Research [19] and [20] also explain that changes in interest rates become one of the economic condition signals noticed by investors in determining investments in banking sector stocks.

The Effect of Profitability on Stock Prices

The research results show that profitability has a positive and significant effect on banking stock prices. This means that the company's ability to generate profit is one of the factors determining the height of the stock price. In other words, when company profitability increases, it shows that the company is able to manage operational activities well and generate larger profits [47]. This situation gives confidence to investors that the company has good future prospects. As a result, demand for the company's stock increases, so the stock price also tends to rise. However, if profitability decreases, investors may judge that the company's ability to generate profit is weakening. This condition can reduce investor interest in the company's stock, causing stock prices to

decline [48]. The results of this study indicate that investors pay close attention to the company's ability to maintain profit stability. The better the company's profitability performance, the greater the market confidence in banking stocks.

The results of this study are in line with research [24] and [25] which state that profitability has a positive effect on stock prices because company profits become the primary consideration basis for investors in making investment decisions. This finding is also supported by research [26], which explains that an increase in profitability is able to increase market confidence and drive a rise in company stock prices.

CONCLUSION

Fundamental Finding: The results indicate that the exchange rate, interest rate, and profitability significantly influence banking sector stock prices on the Indonesia Stock Exchange. Exchange rate movements reflect economic stability and investor risk perceptions, interest rate changes affect investment decisions and banking activities, while higher profitability strengthens investor confidence by signaling better corporate performance. **Implication:** The findings suggest that both macroeconomic conditions and firm-specific financial performance play essential roles in determining banking stock price movements. Therefore, investors should consider changes in exchange rates, interest rates, and corporate profitability when making investment decisions in the banking sector. **Limitation:** This study is limited to banking companies listed on the Indonesia Stock Exchange during the 2020–2024 period and focuses only on three explanatory variables—exchange rate, interest rate, and profitability—which may not fully capture all factors affecting stock price movements. **Future Research:** Future research should include a broader range of macroeconomic and firm-specific variables, expand the observation period, and compare different industrial sectors to provide a more comprehensive understanding of the determinants of stock prices.

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