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Analysis of the Impact of Profitability on Stock Returns for Banking Companies Listed on the Indonesia Stock Exchange, 2020–2024

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Abstract: This study aims to analyze the effect of profitability ratios on stock returns for banking companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. The independent variables used are Return on Assets (ROA), Return on Equity (ROE), Gross Profit Margin (GPM), Operating Profit Margin (OPM), and Net Profit Margin (NPM), while the dependent variable is stock returns. The research method used is a quantitative approach with multiple linear regression analysis. The results indicate that, collectively, all five profitability ratios significantly influence stock returns ($R^2 = 0.710$). Individually, ROE, GPM, and NPM have a significant positive effect, while ROA and OPM do not have a significant effect. NPM is the most dominant variable influencing stock returns. These findings indicate that profitability, particularly net profit and return on equity, is a key factor in attracting investor interest in the banking sector.

Keywords: GPM, NPM, Banking, Profitability, ROA, ROE, Stock Return, OPM.

INTRODUCTION

The capital market plays a crucial role in supporting a country's economic growth because it serves as a means for companies to raise funds and as an investment vehicle for the public (Darmadji & Fakhruddin, 2021). Activities in the capital market facilitate the flow of funds from parties with excess capital (investors) to those in need of funds. One of the most popular forms of investment in the capital market is stocks, as they offer the potential for significant returns, both through capital gains and dividend yields. In this context, investors pay close attention to issuers' financial performance, particularly their ability to generate profits or profitability (Brigham & Houston, 2016). Profitability is a key indicator reflecting a company's effectiveness in managing its resources and assets to generate profits (Andirfa, 2021). Therefore, profitability analysis has a significant influence on investment decisions and stock returns in the capital market (Kasmir, 2019).

The issue currently facing the banking sector is the significant variation in profitability levels among banks in Indonesia. According to 2023 data from the Indonesia Stock Exchange (IDX), there are 47 listed banking companies, with highly varied financial performance (Astohar, 2020). For example, PT Bank KB Bukopin Tbk recorded an increase in ROA from -0.006 in 2021 to 0.007 in 2022, indicating a significant improvement even though the net profit margin (NPM) remained negative at -0.792. On the other hand, Bank Central Asia Tbk (BBCA) demonstrated stable and strong financial performance with an ROA of 0.008 and an NPM of 0.418 in 2022. These variations indicate differences in managerial capability and efficiency among banks in managing assets and capital (Anoraga & Pakarti, 2016). These conditions serve as a crucial foundation for further research into how profitability influences stock returns (OJK, 2021).

The urgency of this study lies in the importance of understanding the relationship between profitability ratios and stock returns in the banking sector, which plays a vital role in national economic stability. Global economic fluctuations and changes in monetary policy can affect the banking sector's performance, so investors need accurate information regarding bank profitability (Hakim & Abbas, 2019). Furthermore, amid an 8.9% increase in the number of investors in Indonesia during the first half of 2023, the need for in-depth fundamental analysis has become increasingly critical. This study is also relevant for regulators such as the OJK in monitoring the financial health of banking institutions. By understanding the influence of profitability on stock returns, investors can make more rational and data-driven investment decisions (Harahap, 2021). Therefore, this study is important to provide an empirical understanding of banking financial performance and its impact on stock value (Tandelilin, 2020).

Numerous studies have previously examined the impact of profitability ratios on stock returns, yielding mixed results. For example, research by Affinanda & Yuyetta (2015) indicates that Return on Assets (ROA), Return on Equity (ROE), Gross Profit Margin (GPM), and Net Profit Margin (NPM) have a positive effect on stock returns. Conversely, a study by Sejati et al. (2020) found that ROE has a negative effect on stock returns in the banking sector. A study by Hanifah (2023) also showed that the Debt to Equity Ratio (DER), Earnings Per Share (EPS), and NPM have a significant effect on stock returns. However, a study by Nurlia (2018) states that ROE and NPM do not have a significant effect on stock returns. These differing results indicate a research gap that requires further investigation using the latest data in the banking sector.

The novelty of this study lies in its focus on the specific time period and sector examined, namely an analysis of banking companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2024, taking into account post-pandemic economic dynamics. Unlike previous studies, which tended to focus on the manufacturing and real estate sectors, this study highlights the banking sector, which has more complex and systemic financial characteristics. This study also combines five key profitability indicators ROA, ROE, GPM, OPM, and NPM to provide a comprehensive understanding of their impact on stock returns. The use of the latest annual data ensures the study's findings remain highly relevant to current market conditions. Furthermore, this approach provides an empirical contribution to the literature on banking financial performance in Indonesia. Consequently, this study expands the scope of prior research and offers added value for the development of investment theory and financial management.

The primary focus of this study is to analyze the relationship between profitability ratios and stock returns for banking companies listed on the Indonesia Stock Exchange during the 2020–2024 period. The profitability variables used include Return on Assets (ROA), Return on Equity (ROE), Gross Profit Margin (GPM), Operating Profit Margin (OPM), and Net Profit Margin (NPM). This study focuses on how effective asset and capital management can enhance investor confidence in banking stocks. This focus also includes an empirical analysis of the

financial ratios that most influence stock returns. Thus, this study is expected to explain the relationship between profitability and stock value in the banking sector. This focus is relevant because banks' financial performance significantly influences market perceptions and overall economic stability.

The objective of this study is to examine and analyze the effect of profitability ratios on stock returns for banking companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. This study aims to determine whether the variables ROA, ROE, GPM, OPM, and NPM have a significant effect, both individually and collectively, on stock returns. Additionally, this study seeks to provide empirical insights for investors in making investment decisions based on fundamental analysis. Another objective is to make a theoretical contribution to the literature on the relationship between profitability and stock returns in the financial sector. This study also aims to provide input to bank management on improving financial performance to attract investor interest. Thus, the research results are expected to strengthen the basis for investment decision-making and managerial strategies in the banking sector.

METHOD

This study employs a quantitative approach in the fields of financial accounting and capital markets to analyze the relationship between corporate profitability and stock returns using data from banking companies listed on the Indonesia Stock Exchange for the period 2020–2024 (Hery, 2017). This approach allows researchers to obtain objective results through statistical analysis of financial ratios such as Return on Assets (ROA), Return on Equity (ROE), Gross Profit Margin (GPM), Operating Profit Margin (OPM), and Net Profit Margin (NPM), as well as to test their impact on stock returns (Djarwanto, 2018). This study is an explanatory research with 47 banking companies as the sample units, using total sampling (Sugiyono, 2019). The data used are secondary data in the form of financial statements obtained from the official website of the Indonesia Stock Exchange (www.idx.co.id). The analysis was conducted using multiple linear regression to test the causal relationship between variables, supported by classical assumption tests, the F-test, and the t-test to ensure the validity of the model (Ghozali, 2018). Thus, this study is expected to provide an empirical contribution to understanding the influence of profitability on stock returns in the Indonesian banking sector.

RESULTS AND DISCUSSION

Descriptive Statistics of Research Variables

The statistical analysis in this study aims to provide a comprehensive overview of the data characteristics of profitability variables (ROA, ROE, GPM, OPM, NPM) and stock returns for banking companies listed on the Indonesia Stock Exchange (IDX) for the period 2020–2024. The analysis results show that most profitability variables have low means and left-skewed (negative) distributions with high kurtosis values, indicating the presence of extreme data in the form of companies with very low or even negative profitability levels. Conversely, the stock return variable exhibits a positive distribution with a skewness of 6.076 and a kurtosis of 50.081, indicating the presence of several stocks with very high returns and high volatility. This situation illustrates that the financial performance of banking companies generally varies significantly, with most companies facing profitability pressures, yet there are still stocks offering high returns, highlighting an intriguing dynamic in the relationship between profitability and stock returns within the Indonesian banking sector.

Test of Classical Assumptions

Table 1. Results of the Multicollinearity Test

Coefficients[a]			
		Collinearity Statistics	
Model		Tolerance	VIF
1	(Constant)		
	ROA	.333	3.005
	ROE	.632	1.581
	GPM	.154	6.476
	OPM	.230	4.357
	NPM	.346	2.891

A multicollinearity test was conducted to ensure there were no strong linear relationships among the independent variables in the regression model. Based on the test results, all independent variables namely ROA, ROE, GPM, OPM, and NPM have Tolerance values above 0.1 and Variance Inflation Factor (VIF) values below 10, specifically 3.005; 1.581; 6.476; 4.357; and 2.891, respectively. These values indicate that there are no significant multicollinearity issues in the model. Although GPM has the highest VIF (6.476), its value remains within safe limits, so all variables can contribute independently to the model without causing data redundancy. Thus, these results confirm that the regression model in this study meets the classical assumptions and is suitable for validly analyzing the effect of profitability on stock returns.

Table 2. Results of the Heteroscedasticity Test

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	.447	.082		5.437	.000
	ROA	-.041	.032	-.089	-1.277	.203
	ROE	-.007	.007	-.083	-.964	.336
	GPM	.001	.001	.129	1.680	.094
	OPM	-.001	.001	-.065	-.900	.369
	NPM	.000	.001	-.031	-.382	.703

a. Dependent Variable: absres

A heteroscedasticity test was conducted to ensure that the residual variance in the regression model is constant (homoscedasticity) and does not exhibit any specific patterns that could compromise the model's validity. Based on the results of the Glejser test presented in Table 5.5, all independent variables ROA, ROE, GPM, OPM, and NPM have significance values (Sig.) above 0.05, specifically 0.203; 0.336; 0.094; 0.369; and 0.703, respectively. These values indicate that there is no significant relationship between the independent variables and the residuals, so it can be concluded that the model is free from heteroscedasticity issues. Furthermore, the relatively small regression coefficient (B) values indicate the absence of a systematic pattern of residual variance in response to changes in the independent variables. Thus, the regression model in this study satisfies the classical assumption of homoscedasticity, meaning that the regression parameter estimates are efficient and the analysis results can be validly interpreted.

Table 3. Autocorrelation Test Results

Model Summary[b]					
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**Durbin-Watson**
1	.754[a]	.710	.708	1.47305	1.687

An autocorrelation test was conducted to identify any correlation among the residuals in the regression model that could lead to estimation inefficiency. Based on the results in Table 5.6, the Durbin-Watson statistic of 1.687 falls within the range of 1.5 to 2.5, indicating that there is no autocorrelation; thus, the assumption of residual independence is satisfied. The correlation coefficient (R) of 0.754 indicates a strong relationship between the independent and dependent variables, while the R-squared value of 0.710 suggests that 71% of the variation in stock returns can be explained by profitability variables (ROA, ROE, GPM, OPM, NPM). The Adjusted R-Square value of 0.708 demonstrates the model's stability after adjusting for the number of variables, and the Standard Error of Estimate of 1.47305 indicates a relatively low level of prediction error. Thus, this regression model can be considered to satisfy the classical assumption of no autocorrelation and possesses good accuracy in explaining the relationship between profitability and stock returns.

Table 4. Results of the Normality Test

One-Sample Kolmogorov-Smirnov Test			
			Unstandardized Residual
N			235
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		.00345365
Most Extreme Differences	Absolute		.037
	Positive		.037
	Negative		-.034
Test Statistic			.037
Asymp. Sig. (2-tailed)[c]			.200[d]
Monte Carlo Sig. (2-tailed)[e]	Sig.		.615
	99% Confidence Interval	Lower Bound	.602
		Upper Bound	.627

A normality test was conducted to ensure that the residuals in the regression model are normally distributed, so that the estimation results are unbiased and valid for inferential analysis. Based on the results of the Kolmogorov-Smirnov test in Table 5.7, the Asymp. Sig. (2-tailed) value is 0.200, which is greater than 0.05, indicating that the residual data are normally distributed. This result is supported by the Monte Carlo Sig. (2-tailed) value of 0.615 with a 99% confidence interval ranging from 0.602 to 0.627, which also indicates no significant deviation from the normal distribution. Thus, the normality assumption in the regression model has been met, meaning the regression analysis can be conducted validly. The fulfillment of this assumption ensures that the model used to analyze the relationship between profitability variables (ROA, ROE, GPM, OPM, NPM) and stock returns is reliable and can be accurately interpreted.

Multiple Linear Regression Analysis.

Multiple linear regression is used to measure the relationship between a dependent variable and several independent variables simultaneously. In this study, multiple linear regression was used to analyze the effects of Return on Assets (ROA), Return on Equity (ROE), Gross Profit Margin (GPM), Operating Profit Margin (OPM), and Net Profit Margin (NPM) on stock returns. The results of this analysis provide an overview of the extent of each

independent variable's influence on the dependent variable, as well as whether the existing relationship is significant or not.

Table 5. Multiple Linear Regression Analysis

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	5.019	.202		24.821	.001
	ROA	.004	.023	.007	.190	.849
	ROE	.393	.012	.142	5.724	.002
	GPM	.269	.010	.115	2.292	.023
	OPM	.031	.009	.136	.310	.801
	NPM	.439	.006	.812	7.178	.001

Based on the results in the table above, the multiple linear regression equation can be written as follows: $Y = 5.019 + 0.004X1 + 0.393X2 + 0.269X3 + 0.031X4 + 0.439X5 + e$

The regression equation indicates that all profitability variables have a positive effect on stock returns, with varying degrees of influence. The constant value of 5.019 indicates that when all independent variables are zero, stock returns remain positive. The regression coefficients indicate the direction and magnitude of each variable's influence, where ROA (0.004), ROE (0.393), GPM (0.269), OPM (0.031), and NPM (0.439) all contribute positively to stock returns. Among these five variables, NPM has the strongest influence, confirming that a company's net profit is the primary factor in determining stock returns. This finding suggests that the better a company's profitability performance particularly in generating net profit and return on equity the greater the opportunity for investors to achieve high stock returns.

Model Validation

Table 6. F-Test

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5063.110	5	1012.622	466.673	.001[b]
	Residual	501.241	231	2.170		
	Total	5564.352	236			

The F-test results indicate that the regression model used is simultaneously significant, meaning that all independent variables namely ROA, ROE, GPM, OPM, and NPM collectively influence stock returns. The calculated F-value of 466.673 with a significance level of 0.001 (< 0.05) indicates that the regression model is able to explain the variability in stock returns significantly. Thus, the model can be considered appropriate and valid for use in analyzing the relationship between corporate profitability and stock returns, as the combination of these five independent variables has been proven to play a significant role in influencing the dependent variable.

Table 7. Coefficient of Determination (R^2)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.754[a]	.710	.708	1.47305

The coefficient of determination (R^2) of 0.710 indicates that 71% of the variation in stock returns can be explained by profitability variables namely ROA, ROE, GPM, OPM, and NPM

while the remaining 29% is influenced by other factors outside the model. The adjusted R^2 of 0.708 reinforces these results by accounting for the number of predictors and sample size, thereby providing a more accurate estimate of the model's performance. This high R^2 value indicates that the regression model possesses strong explanatory power and predictive capability, confirming that profitability variables play a significant role in determining variations in a company's stock returns.

Hypothesis Testing Using the t-Test

The t-test is used to measure the extent to which each independent variable has a significant effect on the dependent variable in a multiple linear regression model. In the t-test, the regression coefficients for each variable are tested by comparing the calculated t-value with the critical t-value at a specific significance level (usually 0.05). If the p-value (significance) is less than 0.05, then the variable is considered to have a significant effect on the dependent variable. This test helps identify which variables are important in the model.

Table 8. Hypothesis Testing Using the t-Test

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	5.019	.202		24.821	.001
	ROA	.004	.023	.007	.190	.849
	ROE	.393	.012	.142	5.724	.002
	GPM	.269	.010	.115	2.292	.023
	OPM	.031	.009	.136	.310	.801
	NPM	.439	.006	.812	7.178	.001

The results of the t-test indicate that not all profitability indicators have a significant effect on stock returns. The Return on Assets (ROA) variable, with a significance value of 0.849, and the Operating Profit Margin (OPM), with a significance value of 0.801, were found to have no significant effect on stock returns. This indicates that the company's ability to generate profit from its total assets or operating profit is not yet strong enough to influence investor decisions or directly reflect the stock's profit potential. Conversely, the other three variables Return on Equity (ROE), Gross Profit Margin (GPM), and Net Profit Margin (NPM) were found to have a positive and significant effect on stock returns, with significance values of 0.002, 0.023, and 0.001, respectively. This means that the higher a company's return on equity, gross profit margin, and net profit margin, the higher the stock returns investors receive. ROE reflects a company's effectiveness in utilizing shareholders' capital to generate profits; GPM indicates efficiency in generating profits from sales; while NPM is the most dominant indicator as it illustrates a company's ability to generate net profit after all costs and taxes. Overall, these results suggest that investors pay more attention to indicators that directly reflect final profitability and capital efficiency than to asset- or operations-based profitability, as these three metrics are better able to reflect a company's profit potential and stock value prospects.

The Effect of Return on Assets (ROA) on Stock Returns

Return on Assets (ROA) is a ratio used to measure a company's ability to generate profit from its total assets, while stock return reflects the rate of return investors receive from changes in stock prices. Based on the results of an analysis of banking companies listed on the Indonesia Stock Exchange for the 2020–2024 period, the average ROA value of 0.5486 with a standard deviation of 2.58867 indicates significant variation in asset management performance among banks. The left-skewed ROA distribution (skewness -2.438) indicates that most companies have asset performance below the average. However, the regression test results show that ROA

has a regression coefficient of 0.004 with a significance value of 0.849 (> 0.05), meaning ROA does not have a significant effect on stock returns. This suggests that asset-based profitability has not yet become a dominant factor in determining stock returns in the banking sector, as bank stock movements are more heavily influenced by external factors such as macroeconomic conditions, interest rates, financial regulations, and market confidence.

Although ROA does not have a significant effect, the results of the study show that other variables such as ROE, GPM, and NPM have a positive and significant effect on stock returns, with a coefficient of determination (R^2) of 0.710, indicating that 71% of the variation in stock returns can be explained by the five profitability variables. This confirms that investors pay more attention to indicators that directly reflect the efficiency of equity utilization and net profit when assessing a stock's profit potential. This finding aligns with the research by Affinanda & Yuyetta (2015), which found that ROA, ROE, GPM, NPM, and DER have a positive effect on stock returns. However, these results differ from the findings of Sejati et al. (2020), which showed that the effect of ROE on stock returns is actually negative and weak in the banking sector. Thus, although ROA remains relevant as a measure of operational efficiency, investors and management need to pay greater attention to other profitability indicators such as ROE and NPM, which have proven to be stronger in influencing the stock performance of banking companies in Indonesia (Nugraha, 2022).

The Effect of Return on Equity (ROE) on Stock Returns

Based on the results of a study of banking companies listed on the Indonesia Stock Exchange for the 2020–2024 period, the Return on Equity (ROE) variable was found to have a positive and significant effect on stock returns. Descriptive results show an average ROE value of 2.7320 with a standard deviation of 14.41907, a minimum value of -123.93, and a maximum of 21.17. The wide range, along with a skewness of -4.395 and a kurtosis of 30.185, indicates a left-skewed and highly peaked data distribution, signaling a striking difference between banks with low and high equity performance. Through multiple linear regression analysis, a regression coefficient of 0.393 was obtained with a t-value of 5.724 and a significance level of 0.002 (< 0.05), meaning that an increase in ROE will increase stock returns. These results confirm that the higher a company's ability to generate profits from its own capital, the greater the return received by investors (Khoiri, 2020). The R-squared value of 0.710 also indicates that 71% of the variation in stock returns can be explained by the combination of profitability variables (ROA, ROE, GPM, OPM, and NPM), with ROE being one of the most dominant factors.

These findings reinforce the view that ROE is a key indicator in assessing the efficiency of capital utilization and corporate management performance (Yap & Firnanti, 2018). Investors tend to be more interested in banking companies with high ROE because they are considered more efficient in managing their own capital to generate profits (Sawir & Agnes, 2018). These results align with Hanifah's (2023) study, which states that ROE, NPM, EPS, and DER have a positive and significant effect on stock returns. However, these results differ from Nurlia's (2018) findings, which indicate that ROE has a negative and insignificant effect on stock returns. Thus, the results of this study confirm that ROE is not only a measure of a company's internal profitability but also an external indicator that influences investor perception and stock market value. Companies with high ROE are able to attract investor interest and enhance market confidence, which ultimately contributes to increased stock value and competitiveness in the capital market (Janah, 2023).

The Effect of Gross Profit Margin (GPM) on Stock Returns

Based on the results of a study of banking companies listed on the Indonesia Stock Exchange for the 2020–2024 period, the Gross Profit Margin (GPM) variable was found to have a positive and significant effect on stock returns. The results of the descriptive analysis show an average GPM of -0.4258 with a standard deviation of 118.76706, a minimum value of -839.11, and a maximum of 252.09, indicating a very wide data range. Skewness of -3.930 and kurtosis of 18.628 indicate a left-skewed and peaked distribution, reflecting the presence of banks with extremely low to negative gross profit margins, while others have high positive GPMs. The results of the multiple linear regression show a GPM regression coefficient of 0.269 with a t-value of 2.292 and a significance level of 0.023 (<0.05), so it can be concluded that the higher the gross profit margin generated by a bank, the greater the stock returns received by investors. The R-squared value of 0.710 indicates that 71% of the variation in stock returns can be explained by a combination of profitability variables, including GPM, which underscores the critical role of this indicator in assessing a bank's financial performance.

Overall, these findings indicate that the gross profit margin (GPM) is a key indicator of a bank's ability to manage revenue and expenses efficiently (Aulia et al., 2025). Banks with a high GPM are considered better able to maintain operational efficiency and competitiveness, which ultimately enhances investor confidence in their long-term financial prospects. These results align with Anggraini's (2022) study, which showed that GPM has a positive and significant effect on stock returns for property companies listed on the Indonesia Stock Exchange. This confirms that a high gross profit margin reflects a company's efficiency and profitability, which in turn drives stock price appreciation. Thus, for both investors and bank management, increasing the GPM is a key strategy to strengthen financial positions, attract market interest, and enhance stock value in the banking industry.

The Effect of Operating Profit Margin (OPM) on Stock Returns

Based on the results of a study of banking companies listed on the Indonesia Stock Exchange for the 2020–2024 period, the Operating Profit Margin (OPM) indicates that operational efficiency has not had a significant impact on stock returns. Descriptive results show an average OPM of -4.8143 with a standard deviation of 128.40761, as well as a very wide range of values from -823.26 to 172.64. Skewness of -3.931 and kurtosis of 17.245 indicate a left-skewed and peaked data distribution, suggesting substantial variation among banks in their ability to generate operating profit. Based on the results of the multiple linear regression test, OPM has a regression coefficient of 0.031 with a t-value of 0.310 and a significance level of 0.801 (>0.05), so it can be concluded that OPM does not have a significant effect on stock returns. This indicates that a bank's operational efficiency does not directly influence stock returns. External factors such as macroeconomic fluctuations, interest rates, monetary policy, and market perceptions of bank performance likely play a greater role in determining stock price movements in the banking sector.

Overall, although the R-squared value of the regression model is 0.710 indicating that 71% of the variation in stock returns can be explained by a combination of profitability variables (ROA, ROE, GPM, OPM, and NPM) OPM's contribution to the model is relatively small compared to that of NPM and ROE. This confirms that in the banking context, investors place greater emphasis on net profit and return on equity as the basis for investment decision-making compared to operating profit margin. This finding is consistent with the theory described by Prihadi (2017) and Sawir & Agnes (2018), who state that operating profit reflects the pure performance of a company's core activities; however, its impact on stock market value may vary depending on industry structure and investor expectations. Therefore, although OPM remains an important indicator in assessing a bank's operational efficiency, the results of this

study indicate that other factors reflecting ultimate profitability play a greater role in determining stock returns.

The Effect of Net Profit Margin (NPM) on Stock Returns

Based on the results of a study of banking companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period, the Net Profit Margin (NPM) was found to have a positive and significant effect on stock returns. Descriptive results show that NPM has a mean of -4.2291 with a standard deviation of 101.38376, as well as a fairly wide range of values from -748.65 to 129.69, reflecting significant variation in banks' ability to generate net profit. Skewness of -4.101 and kurtosis of 19.721 indicate a left-skewed and highly peaked data distribution, suggesting the presence of several companies with extremely negative net profits. The results of the multiple linear regression test show a regression coefficient of 0.439 with a t-value of 7.178 and a significance level of 0.001 (<0.05), confirming that an increase in net profit directly impacts an increase in stock returns. Thus, banks that are able to maintain high net profit margins tend to generate higher stock returns, as this increases investor confidence in the company's performance and financial stability (Yupianty, 2022).

Furthermore, the regression model with an R-squared value of 0.710 indicates that approximately 71% of the variation in stock returns can be explained by a combination of profitability variables (ROA, ROE, GPM, OPM, and NPM), with NPM having the most dominant influence, as evidenced by a standard beta of 0.812. This confirms that net profit is a key indicator in assessing stock performance in the banking sector. Practically, these results suggest that improved operational efficiency, revenue optimization, and effective cost management are key for companies to enhance their stock performance. Investors can also use NPM as a primary indicator when making investment decisions. This finding aligns with the theory proposed by Kasmir (2019), which states that the higher the Net Profit Margin, the more efficient a company is at generating net profit from its sales, thereby increasing the returns for shareholders. Thus, NPM not only reflects a company's profitability level but also serves as a critical factor influencing market confidence and stock value within the banking industry.

CONCLUSION

Based on the results of a study on the effect of profitability on stock returns for banking companies listed on the Indonesia Stock Exchange during the 2020–2024 period, it can be concluded that only the variables Return on Equity (ROE), Gross Profit Margin (GPM), and Net Profit Margin (NPM) have a significant effect on stock returns, while Return on Assets (ROA) and Operating Profit Margin (OPM) do not have a significant effect. These findings indicate that investors place greater emphasis on a company's ability to generate profits from equity and net income compared to the efficiency of asset utilization or operating profit. Among all variables, NPM is the most dominant factor, confirming that net income is the primary indicator in determining stock returns and investor confidence in a bank's financial performance. Based on these results, banking companies are advised to improve operational efficiency, asset management, and cost control to strengthen profitability, as well as optimize equity management to enhance stock value in the market. For future research, it is recommended to include external variables such as inflation, interest rates, and macroeconomic conditions, as well as to expand the scope of the study to other sectors so that the results are more comprehensive and applicable in understanding the factors that influence stock returns across various industries.

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