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THE EFFECTS OF FOREIGN EXCHANGE RATES, STOCK MARKET PERFORMANCE, AND FINANCIAL PERFORMANCE ON STOCK RETURNS, PT BANK RAKYAT INDONESIA, TBK (2014-2023)

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Abstract
The research aims to provide insights into the factors driving the variability in the bank's stock returns, utilizing quantitative regression analysis as the primary methodological approach. The background of the study underscores the significance of understanding the diverse factors affecting stock market dynamics, particularly in the context of a prominent Indonesian bank. Financial news sources and historical data from reputable sources like Reuters and Bloomberg were utilized to gather metrics and historical trends relevant to the study. The study also incorporates qualitative insights from industry experts and analysis of business financial records to supplement the quantitative analysis. Results indicate that the variables examined foreign exchange rates, stock market performance, and financial metrics do not significantly explain the variations in PT Bank Rakyat Indonesia, Tbk's stock returns during the study period. The regression analysis reveals low R-squared and adjusted R-squared values, alongside non-significant coefficients for each independent variable. These findings suggest that other factors beyond those considered in this study likely exert a more substantial influence on the bank's stock performance. In conclusion, while the study contributes valuable insights into the specific factors influencing PT Bank Rakyat Indonesia Tbk's stock returns, it also highlights the complexities and limitations inherent in relying solely on traditional financial metrics for predictive purposes. Future research could benefit from exploring additional variables and employing more sophisticated methodologies to enhance understanding and predictive accuracy in stock market analysis.
Keywords: PT Bank Rakyat Indonesia, stock returns, foreign exchange rates

Abstrak
Penelitian ini bertujuan untuk memberikan wawasan tentang faktor-faktor yang mendorong variabilitas dalam pengembalian saham bank, dengan menggunakan analisis regresi kuantitatif sebagai pendekatan metodologis utama. Latar belakang penelitian ini menggarisbawahi pentingnya memahami berbagai faktor yang mempengaruhi dinamika pasar saham, terutama dalam konteks bank terkemuka di Indonesia. Sumber berita keuangan dan data historis dari sumber-sumber terkemuka seperti Reuters dan Bloomberg digunakan untuk mengumpulkan metrik dan tren historis yang relevan dengan penelitian ini. Studi ini juga menggabungkan wawasan kualitatif dari para pakar industri dan analisis catatan keuangan bisnis untuk melengkapi analisis kuantitatif. Hasil penelitian menunjukkan bahwa variabel-variabel yang diteliti yaitu nilai tukar mata uang asing, kinerja pasar saham, dan metrik keuangan tidak secara signifikan menjelaskan variasi return saham PT Bank Rakyat Indonesia, Tbk selama periode penelitian. Analisis regresi menunjukkan nilai R-squared dan adjusted R-squared yang rendah, di samping koefisien yang tidak signifikan untuk setiap variabel independen. Temuan ini menunjukkan bahwa faktor-faktor lain di luar yang

dipertimbangkan dalam penelitian ini kemungkinan memiliki pengaruh yang lebih besar terhadap kinerja saham bank. Sebagai kesimpulan, meskipun penelitian ini memberikan wawasan yang berharga mengenai faktor-faktor spesifik yang mempengaruhi imbal hasil saham PT Bank Rakyat Indonesia Tbk, penelitian ini juga menyoroti kompleksitas dan keterbatasan yang melekat dalam mengandalkan metrik keuangan tradisional untuk tujuan prediksi. Penelitian di masa depan dapat mengambil manfaat dari mengeksplorasi variabel tambahan dan menggunakan metodologi yang lebih canggih untuk meningkatkan pemahaman dan akurasi prediksi dalam analisis pasar saham.
***Kata Kunci**: PT Bank Rakyat Indonesia, hasil saham, nilai tukar mata uang asing*

Introduction

This research focuses on the influence of foreign exchange rates, stock market performance, and financial performance on the stock returns of PT Bank Rakyat Indonesia, Tbk (BRI) during the period 2014-2023. PT Bank Rakyat Indonesia, Tbk is one of the largest banks in Indonesia, playing a crucial role in the financial sector and the national economy. The bank's extensive network across various regions in Indonesia makes it a relevant subject for studying stock market dynamics and factors affecting its stock performance (Ali et al., 2020). Foreign exchange rates, particularly the exchange rate of the Indonesian Rupiah against foreign currencies such as the US Dollar, have a significant impact on Indonesia's economy, including the banking sector. Fluctuations in exchange rates can affect the bank's profits and operational costs, as well as its competitiveness in the international market (Sheikh et al., 2020). Stock market performance is also a critical indicator reflecting the overall economic conditions. The Composite Stock Price Index (CSPI), as Indonesia's stock market barometer, provides insights into economic health and investor sentiment. A strong stock market performance typically mirrors stable economic conditions and growth, which can boost investor confidence and drive stock price increases. Furthermore, corporate financial performance, measured through indicators such as Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM), is crucial in determining stock returns. Strong financial performance indicates operational efficiency and profitability, which can attract investor interest and enhance stock prices (Widagdo et al., 2020).

This research aims to analyze the impact of foreign exchange rates, stock market performance, and financial performance on the stock returns of PT Bank Rakyat Indonesia, Tbk during the period 2014-2023. By understanding the relationships between these factors and stock returns, this study seeks to provide deeper insights for investors and market participants in making more informed investment decisions. Currently, the Indonesian stock market faces various challenges, including volatility in the exchange rate of the Rupiah, global economic uncertainties, and rapidly changing market dynamics. Exchange rate fluctuations are often influenced by external factors such as monetary policies of developed countries, global commodity prices, and geopolitical conditions. Exchange rate instability can add risks to companies, especially those involved in international trade. Stock market performance is also influenced by investor sentiment, which can be speculative and subject to rapid changes. Moreover, technological advancements and innovations in the financial sector create new challenges for banks to remain competitive and adaptable to changes. Corporate financial performance is increasingly crucial in facing these uncertainties. Banks need to ensure that they maintain profitability and operational efficiency despite pressures from various external factors. Therefore, understanding how these three factors influence stock returns becomes increasingly relevant in the current economic context (Din et al., 2021).

Various previous studies have explored the relationship between foreign exchange rates, stock market performance, financial performance, and stock returns. These studies provide empirical evidence that these factors significantly influence stock returns, although the extent of their impact may vary depending on the context and time period analyzed. For instance, research by Hashmi et al., (2022) found that exchange rate fluctuations have a significant impact on stock returns in emerging markets, including Indonesia. Meanwhile, research by Agustina & Purnomo, (2022) indicated that overall stock market performance correlates positively with individual stock returns. On the other hand, research by Sausan et al., (2020) emphasized the importance of financial performance in determining stock returns. They found that financial indicators such as ROA and ROE have a significant influence on bank stock prices in Indonesia. However, these studies also indicate that the influence of these factors can change over time and is influenced by different macroeconomic and microeconomic conditions.

This research differs from previous studies in several key aspects. First, it covers a longer period, from 2014 to 2023, allowing for a more comprehensive analysis of long-term trends and dynamic changes in Indonesia's stock market and economy. Second, this study specifically focuses on PT Bank Rakyat Indonesia, Tbk, one of the largest banks in Indonesia, which plays a significant role in the national economy. Furthermore, this research uses an approach that integrates quantitative and qualitative analysis to provide a deeper understanding of the factors influencing stock returns. Quantitative analysis will involve statistical techniques such as regression analysis and correlation analysis to measure the relationships between the variables studied, while qualitative analysis will use interviews and case studies to explore contexts and factors that may not be captured by quantitative data.

This research is important as it provides deeper insights into how foreign exchange rates, stock market performance, and financial performance influence the stock returns of PT Bank Rakyat Indonesia, Tbk. The findings of this study are expected to help investors, investment managers, and market participants make better-informed and strategic investment decisions. Moreover, this research can contribute to academic literature by providing richer empirical evidence on the relationship between these three factors in the context of Indonesia's stock market. It is also expected to provide valuable recommendations for the management of PT Bank Rakyat Indonesia, Tbk in managing risks and formulating more effective strategies to enhance stock performance and competitiveness in an increasingly competitive market. Thus, this research is not only relevant to practitioners and academics in the fields of finance and investment but also to policymakers responsible for economic stability and the development of the banking sector in Indonesia. This research is expected to make a significant contribution to our understanding of stock market dynamics and factors influencing it, and to help create a more stable and sustainable investment environment in Indonesia.

Research Methods

The research methodology involves several key steps aimed at establishing empirical relationships between the variables of interest (Priadana & Sunarsi, 2021). The first step involves gathering relevant data on foreign exchange rates, stock market performance (proxied by the Composite Stock Price Index, CSPI), financial performance indicators (such as Return on Assets, ROA; Return on Equity, ROE; and Net Interest Margin, NIM), and BRI's stock returns. Historical data spanning from 2014 to 2023 will be collected from credible financial databases, annual reports of BRI, and other pertinent sources. The study will focus on three main independent variables: foreign exchange rates (measured by the USD-IDR exchange rate), stock market performance (measured by CSPI), and financial performance metrics (ROA, ROE, and NIM). The dependent variable is BRI's stock returns, which reflect the cumulative return on BRI's stock over the specified period.

To assess the impact of foreign exchange rates, stock market performance, and financial performance on BRI's stock returns, a multiple linear regression model will be employed. The general form of the regression equation is:

RBRI=β0+β1FX_Rate+β2CSPI+β3ROA+β4ROE+β5NIM+ϵ

Where:

- RBRIR represents BRI's stock returns.
- FX_Rate denotes the foreign exchange rate (USD-IDR).
- CSPI represents the Composite Stock Price Index as a proxy for overall market performance.
- ROA, ROE, and NIM are BRI's financial performance indicators.
- β0, β1,β2,β3,β4,β5 are the regression coefficients.
- ϵ is the error term.

The collected data will be analyzed using statistical software (e.g., SPSS, R, or Stata). Descriptive statistics will be computed to summarize the characteristics of the variables, including means, standard deviations, and correlations. The main analysis will involve running a multiple regression analysis to estimate the coefficients, β1,β2,β3,β4, and β5 and their respective significance levels.

Results and Discussion

Berdasarkan hasil analisis dengan berbantuan SPSS versi 27 didapatkan hasil analisis regresi sebagai berikut:

Tabel. Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.157[a]	.025	-.057	.07889	2.078

a. Predictors: (Constant), Kinerja Keuangan, Kurs Valuta Asing, Kinerja Pasar Saham

b. Dependent Variable: Return Saham

Information

The low R Square value (0.025) and negative Adjusted R Square (-0.057) indicate that the independent variables used in the model (financial performance, foreign exchange rates, and stock market performance) only explain a small portion of the variation in PT Bank Rakyat Indonesia, Tbk's stock returns. This suggests that there are other factors outside the model significantly influencing stock returns. The standard error of the estimate (0.07889) shows that the prediction of stock returns from this regression model is reasonably accurate, but there is still significant variability that the included independent variables cannot explain. The Durbin-Watson value close to 2 (2.078) indicates no significant autocorrelation in the residual model, confirming the validity of the regression results.

Tabel. ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.006	3	.002	.303	.823[b]
	Residual	.224	36	.006		
	Total	.230	39			

a. Dependent Variable: Return Saham

b. Predictors: (Constant), Kinerja Keuangan, Kurs Valuta Asing, Kinerja Pasar Saham

Information

Significance (Sig.): The F-statistic value listed is 0.303 with a p-value (Significance) of 0.823. This value indicates that the regression model overall does not significantly explain the variation in PT Bank Rakyat Indonesia, Tbk's stock returns at the 0.05 significance level. This means that the independent variables used (financial performance, foreign exchange rates, and stock market performance) do not make a significant contribution to explaining the variation in the company's stock returns.

Tabel. Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.058	.139		-.415	.681
	Kurs Valuta Asing	.662	.858	.170	.771	.446
	Kinerja Pasar Saham	-2.623	3.461	-.168	-.758	.453
	Kinerja Keuangan	-.055	1.841	-.006	-.030	.976

a. Dependent Variable: Return Saham

Information

Constant (Intercept): The coefficient for the constant (intercept) is -0.058, with a standard error of 0.139. The t-statistic value is -0.415 with a p-value (Significance) of 0.681. This indicates that at the 0.05 significance level, the constant is not significantly different from zero. Foreign Exchange Rate: The coefficient for the foreign exchange rate variable is 0.662, with a standard error of 0.858. This coefficient has a t-statistic value of 0.771 with a p-value of 0.446. This suggests that at the 0.05 significance level, the foreign exchange rate variable does not have a significant influence on PT Bank Rakyat Indonesia, Tbk's stock returns. Stock Market Performance: The coefficient for the stock market performance variable is -2.623, with a standard error of 3.461. This coefficient has a t-statistic value of -0.758 with a p-value of 0.453. This indicates that at the 0.05 significance level, the stock market performance variable also does not have a significant influence on PT Bank Rakyat Indonesia, Tbk's stock returns. Financial Performance: The coefficient for the financial performance variable is -0.055, with a standard error of 1.841. This coefficient has a t-statistic value of -0.030 with a p-value of 0.976. This suggests that at the 0.05 significance level, the financial performance variable also does not have a significant influence on PT Bank Rakyat Indonesia, Tbk's stock returns.

Discussion

The regression analysis conducted on PT Bank Rakyat Indonesia, Tbk's stock returns, as detailed in the coefficients table (Table 3), reveals several key findings. The intercept, representing the constant term in the regression model, shows a coefficient of -0.058 with a non-significant p-value of 0.681, indicating that the intercept does not significantly differ from zero at the 0.05 significance level. This suggests that factors not included in the model may play a more significant role in influencing the baseline return of the bank's stocks. Moving to the independent variables, the coefficient for the foreign exchange rate (Kurs Valuta Asing) stands at 0.662 with a p-value of 0.446 and a t-statistic of 0.771. This indicates that changes in foreign exchange rates do not significantly impact PT Bank Rakyat Indonesia's stock returns within the studied period. Similarly, the coefficient for stock market performance (Kinerja Pasar Saham) is -2.623, with a p-value of 0.453 and a t-statistic of -0.758, suggesting that variations in the broader stock market do not exert a statistically significant influence on the bank's stock returns. Additionally, the coefficient for financial performance (Kinerja Keuangan) is -0.055, with a high p-value of 0.976 and a t-statistic of -0.030, indicating that the bank's financial performance metrics also do not significantly explain the variations in its stock returns.

Implications for Investors and Policymakers

These findings have several implications for investors and policymakers interested in PT Bank Rakyat Indonesia, Tbk's stock performance and the broader financial sector:

For Investors: Investors should consider that traditional financial metrics such as financial performance indicators and broader market movements may not adequately predict the bank's stock returns. Factors beyond financial metrics, such as regulatory changes, economic policies, and market sentiment, could be crucial in understanding the bank's stock performance. Diversifying investment strategies to incorporate broader economic factors may be advisable to mitigate risks associated with relying solely on internal financial metrics. For Policymakers: Policymakers tasked with overseeing the financial sector should recognize that regulatory changes and broader economic policies may have a more significant impact on bank stock performance than traditional financial metrics alone. This understanding could inform policy decisions aimed at stabilizing financial markets and promoting investor confidence. Policymakers may also need to consider enhancing transparency and disclosure requirements to ensure that investors have access to comprehensive information beyond financial performance metrics.

Limitations of the Study

Despite the insights provided, several limitations should be acknowledged:

1. Sample Size and Period: The study's findings are based on a specific period and sample size. Extending the study period or enlarging the sample could provide more robust insights into the factors influencing PT Bank Rakyat Indonesia's stock returns.
2. Variable Selection: The study focused on a limited set of variables (foreign exchange rates, stock market performance, financial performance). Other variables, such as consumer sentiment, political stability, and global economic conditions, could potentially impact stock returns and were not included in the analysis.
3. Model Complexity: The simplicity of the regression model used may not capture all nuances and interactions among variables influencing stock returns. Employing more sophisticated models or alternative methodologies could offer deeper insights.

Suggestions for Future Research

Based on the limitations identified, future research could explore several avenues to enhance understanding and predictive capability:

1. Incorporating Additional Variables: Including a broader range of variables, such as macroeconomic indicators, regulatory changes, and qualitative factors like consumer behavior and investor sentiment, could provide a more comprehensive analysis of factors influencing bank stock returns.
2. Longitudinal Studies: Conducting longitudinal studies over multiple economic cycles could offer insights into how different economic environments impact bank stock performance over time.
3. Alternative Methodologies: Exploring alternative statistical methods or machine learning techniques could uncover complex relationships and non-linearities that traditional regression models may overlook.

Sector-Specific Analysis: Conducting comparative analyses across different banks or financial institutions could highlight sector-specific trends and performance drivers that may not be apparent in a single-bank study.

Conclusion

In conclusion, while the current study provides valuable insights into the factors influencing PT Bank Rakyat Indonesia, Tbk's stock returns, it also highlights the limitations of relying solely on traditional financial metrics. Investors and policymakers alike are encouraged to consider a broader spectrum of factors beyond financial performance indicators to make informed decisions and policies. By addressing these considerations and expanding the scope of analysis, future research can contribute to a more comprehensive understanding of stock market dynamics and enhance predictive accuracy in investment and policy-making contexts.

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