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The Influence of Good Corporate Governance, Return On Asset, And Capital Adequacy Ratio on Net Performing Loans with Inflation as a Moderating Variable (Study of Banking Companies that Go Public on the Indonesia Stock Exchange Period 2018-2021)

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ABSTRACT

This study aims to analyze the effect of banking performance on real investment risk with inflation as a moderating variable in banks listed on the Indonesia Stock Exchange (IDX). The sampling technique was purposive sampling so that a total sample of 20 companies was obtained, with a research period of 2018-2021. This type of research is causal associative. The data analysis technique in this study is moderated regression analysis (MRA). The results of this study indicate that banking performance influences total investment risk. Inflation is proven to strengthen the effect of performance on real investment risk.

Keywords: Banking Performance, Total Investment Risk, Inflation

INTRODUCTION

Investment is a form of delaying consumption in the present to obtain consumption in the future, which contains an element of uncertainty, and risk, so compensation for the delay is required (Deswira, 2013). According to Halim (2005), in the context of investment management, risk is a deviation between the expected and actual rate of return. The greater the variation means, the greater the level of risk. Stock investors are very aware of the potential risk of investment. Internal and external factors cause various forms of risk.

Many investors like a high risk because, with increased risk, there is also a high rate of return. This concept is known as High-Risk High Return, Low-Risk Low Return. This concept says that any high-profit potential obtained tends to save a high potential loss. At the same time, a relatively average possible return will also provide a relatively low risk of failure (Deswira, 2013).

The bank is an institution that acts as a financial intermediary (financial intermediary) between parties who have excess funds (surplus units) and parties who need funds (deficit units), as well as an institution whose function is to facilitate the flow of payment traffic. Banks have a vital role in a country's economy; banks are required to assist national development. This makes banking a very strategic sector for a country. According to Amanda and Pratomo (2013), banking stocks are the most attractive stocks for investors in Indonesia. Even though in 1997 and 2008, the banking sector had

"fallen" and experienced a decline in performance, banks could still gain public trust because of their strategic role in the economy. But also,

If we look at the Banking Net Interest Margin data from 2012 to 2020, there was a decrease in the Net Interest Margin (NIM) in the banking sector. The NIM of the Indonesian banking sector has shown a decline even since 2016. The NIM of Indonesia's banking sector has decreased from year to year until 2020. Of course, this needs to concern investors, banking owners, and stakeholders. NIM is an indicator that shows bank management and bank evaluation of risk management on interest rates, where interest is banks' primary source of income.

For this reason, Simorangkir (2002) research revealed that NIM is included in the profitability ratio if NIM shows a decline. This is not solely because the performance of profitability has decreased. Still, factors from the capital adequacy ratio (CAR) or capital from banks show a decline in numbers, so banks cannot maximize their profits. CAR is a capital adequacy ratio that indicates a bank's ability to expand its business and accommodate the possible risk of loss resulting from bank operations. This is one of the indicators that investors will pay attention to if they want to buy shares in the banking sector.

Simorangkir (2002) has CAR results that positively and significantly affect stock investment risk. Sofyan et al. (2018) found that CAR has a modest contribution to banking at BUKU III to stock investment risk. Apart from CAR, the factor that affects stock investment risk is the asset-to-loan ratio, or in other words, the asset-to-loan ratio is the bank's liquidity level which indicates the bank's ability to meet credit requests with its total assets. By increasing income from productive assets, it is hoped that the bank's income will increase so that the opportunity to earn profits will increase.

Research conducted by Sari and Mawardi (2020) found that the liquidity ratio of the asset to loan ratio hurts investment risk; this indicates that the higher the bank's liquidity, the lower the investment risk faced by the bank, but the research conducted by Martina and Prastiwi (2014) the contribution of the asset to loan ratio is not as significant as other factors on investment risk in banking. Apart from CAR and ALR, Return on Equity is a factor that can affect the risk of stock investment in the banking sector. ROE is one of the profitability ratios. Kuncoro (2002) said that the profitability ratio of a banking company was considered high, indicating that the company could increase its business by achieving operating profit in that period. By attaining this profit, investors will get a positive picture of the banking company's shares so that they can expect a return from their shares.

This also means that the higher the ROE of a bank, this indicates the bank's ability to generate good profitability, thereby reducing the risks faced by investors when holding banking shares. Budialim (2013) found ROE has no significant effect on stocks in the Indonesian capital market. Even though ROE shows profitability based on theory in practice, ROE is not an essential factor in increasing stock returns which means ROE may not be an indicator that investors pay attention to at certain times, but research conducted by Kumiadi and Asandimitra (2017) shows different things; ROE has a significant contribution to increasing stock returns from banks, this indicates that ROE has a vital role for investors. When the return on stock goes up, the risk to that stock will automatically go down.

Apart from ROE, LDR is also an important indicator for the banking sector. LDR or loan-to-deposit ratio is the ratio between the total volume of credit extended by a bank and the full receipt of funds from various sources. LDR is a ratio that shows the liquidity of a bank. LDR is used to measure how much a company can meet the repayments of deposits that are due to its depositors and can meet the obligations of the submitted credit requests. Research conducted by Kumiadi and Asandimitra (2017) showed LDR does not affect the risk of stock investment in banking, while a study conducted by Sari and Mawardi (2020) showed LDR has a negative and significant impact on bank bankruptcy risk.

In addition to internal risks that can be calculated internally by the bank itself, there are external risks that, naturally, companies cannot control. One factor that can influence inflation. About the Capital Market, Ang (1997) states that high inflation causes a decrease in a company's profits, causing equity securities to become less competitive. The increased inflation rate indicates significant investment risks in all business sectors. Thus, if a country experiences high inflation, the high inflation will impact decreasing company performance, ultimately increasing the total risk of stock investment.

This shows that inflation can moderate, strengthen, or weakens stock investment in the banking sector. The performance of banking institutions can be seen through their level of soundness which is usually measured using the assessment method stipulated by Bank Indonesia. This valuation method measures and assesses a bank's health using specific financial ratios. One commonly used method is the CAMELS method, which is regulated in Circular Letter Bl No.6/1 OIPBV2004 Concerning Bank Rating Systems. This method measures banking performance related to Capital, Asset Quality, Management, Earnings, Liabilities, and Sensitivity to Market Risk.

HYPOTHESIS DEVELOPMENT

The GCG rating measures how well the company complies with government regulations related to corporate governance provisions. The higher the GCG rating of a company, the better the management's opinion in managing the company, and the better the regime carries out by the administration, the smoother the company's operations will be and the higher the possibility for the company to earn profits. The high opportunity to earn profits will attract many investors to invest their capital, so investment risk will also increase. Based on the several arguments and theoretical foundations above, the hypotheses put forward regarding GCG in this study are as follows:

H1: Good Corporate Governance influences NPL

Return On Assets (ROA) is one of the ratios in evaluating the earning aspect. ROA describes a company's ability to measure the effectiveness of the company's performance in obtaining profit by utilizing its assets. The greater the ROA of a bank, the better the bank's position in terms of asset use (Dendrawijaya, 2003). Bank Indonesia hinted at a reasonable ROA rate of above 1.22%.

Profit or lack of gain will affect the company's ability to obtain loans and equity funding, the company's liquidity position, and the company's ability to change. This will influence whether or not the company's prospects are attractive in the eyes of investors. By achieving high profits, investors can expect earnings from dividends because, in conventional economics, the investment motive is to earn high profits. If a stock can offer high rewards, investor interest in the store will increase. These conditions will impact the company's Total Investment Risk (NPL). In short, the amount of ROA can be the company's investment risk. Based on the theoretical basis, framework, and research results described above, the hypotheses proposed regarding ROA in this study are:

H2: Return on Assets (ROA) influences NPL

Capital Adequacy Ratio (CAR) is an indicator used to measure a bank's capital adequacy. This ratio is intended to determine the ability to exist capital to cover possible losses in credit and securities trading activities. The CAR value will affect the company's NPL. The higher the CAR value of a bank indicates, the more solvable the bank is. A high CAR illustrates that the bank has sufficient capital to run its business and can bear the risk if it suffers a loss or is liquidated. With a high CAR value, the

risky assets in the company will be smaller, and the investment risk will be lower. This condition will attract many investors to buy the company shares in question.

Siamat (1993) states that the problem of capital, in general, is how much capital the owner must provide so that third-party security can be maintained; a high CAR indicates that the bank is more solvable, the bank has sufficient money to run its business so that it will increase the profits earned. This will trigger an increase in Total Investment Risk (NPL). This statement is also supported by the results of other studies, such as Abdullah and Suryanto (2004), Nasser and Djaddang (2005), Praditasari (2009), and Dewi (2011), which in general state that the CAR ratio has a significant effect on Banking Investment Risk. Based on the theoretical basis and some of the research results described above, the following hypotheses can be formulated:

H3: Capital Adequacy Ratio (CAR) influences NPL

The bank's financial performance will affect investors' decisions to buy the shares. Banks that are compatible and have good performance are believed to be able to generate good profits so that the promised rate of return will be even greater. This will encourage many investors to buy the company's shares in question, so the share price tends to increase. This is in line with the research results of Abdullah and Suryanto (2004), Praditasari (2008), Nasser and Djaddang (2005), and Dewi (2011), in which they found that the bank's financial performance is proxied by several ratios according to the soundness level assessment approach of the bank. Using jointly affects the company's investment risk. Therefore, the hypothesis proposed regarding this problem is as follows:

H4: Banking performance proxied by the ratings of Good Corporate Governance (GCG), Return On Assets (ROA), and Capital Adequacy Ratio (CAR) have a simultaneous effect on the ratio of Non-performing Loans (NPL).

Inflation is a condition where there is an increase in the price of goods and services in general and continuously for a specific time. Inflation is an exciting object of study that often occurs in developing countries. Inflation is a macroeconomic variable that can be detrimental to companies. High inflation will increase the company's operational costs and negatively impact, which will further reduce the company's profits. A high inflation rate indicates considerable investment risk. High inflation will reduce the rate of return from investors. High inflation will lead to rising goods and raw materials prices for companies that cause high production costs. An increase in the price of raw materials will lead to a decrease in the number of requests, reducing sales. This condition will adversely affect the company's earnings and performance, diminishing stock returns.

Capital market players usually view inflation as a risk that must be avoided. Shareholders and capital market participants prefer to release their shares when inflation is high. When inflation is high, investors are less interested in investing in companies, so investment risk will decrease. Based on the theoretical basis, framework, and research results described above, the hypotheses put forward in this study are:

H5 = The inflation rate influences NPL prices

The inflation rate has a close relationship with the performance of banking companies. As previously explained, inflation will affect the company's performance and operations. High inflation will cause an increase in operational costs and decrease company profitability, and increase the company's liquidity risk. Inflation can worsen the condition of a bank. This will affect investors'

interest in buying stocks. Based on the framework described above, the hypotheses put forward in this study are:

H6 = The inflation rate affects the relationship between banking financial performance and NPL

RESEARCH FRAMEWORK

By referring to the theoretical review, previous studies, and the arguments previously described, the theoretical framework in this study is:

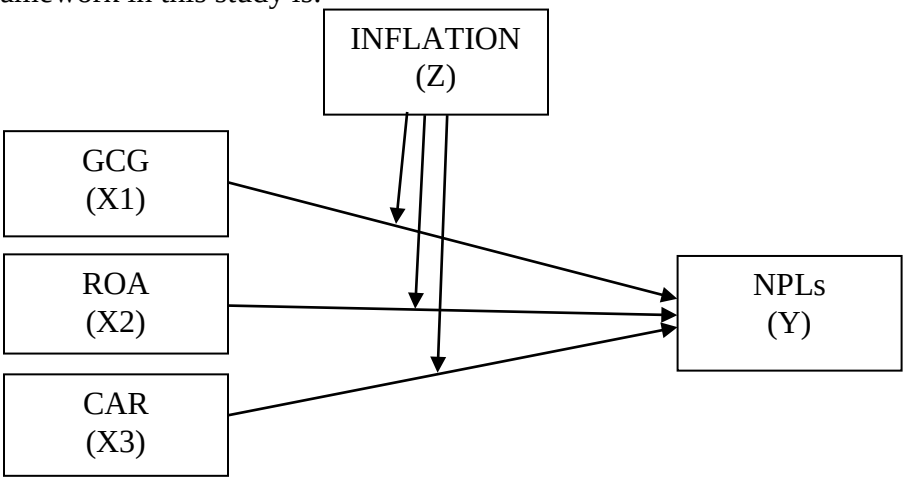

Figure 1. Research Framework

RESEARCH METHODS

This research is classified as hypothesis testing. According to Sekaran (2006), hypothesis testing is a study that already has clarity and description; hypothesis testing is intended to explain the causal relationship between research variables. The selection of samples was carried out using the nonprobability sampling method, namely the purposive sampling technique. Purposive sampling is a method of determining respondents to be sampled based on specific criteria (Siregar, 2021). The criteria for selecting the sample in this study were:

1) The banking companies under investigation were listed on the Indonesia Stock Exchange (IDX) in the 2018-2021 period and were not delisted.
2) The banking company has issued its financial statements and reports annual financial report (annual reports) for five consecutive years for the 2018-2021 period at BEL. The considerations in setting the 2018-2021 timeframe are that with a more extended period, it is hoped that research results can be more accurate and data processing and interpretation errors can be minimized.
3) Availability of complete data

Based on the above criteria, 20 go-public banks were used as samples. Data analysis by interaction test or often called moderated regression analysis (MRA), is a particular application of multiple linear regression where the regression equation contains an element of interaction (multiplication of two or more independent variables) (Ghozali, 2005: 164). The multiplication variable between GCG (X1), RA (X2), CAR (X3), and inflation (Z) is a moderating variable for NPL (Y). The data that has been collected will be analyzed using a statistical analysis software tool, namely SPSS.

The t-test was conducted to determine the significance of the effect of independent variables in individual parameters (partial) on the dependent variable to answer hypothesis 1, ROA affects stock prices, hypothesis 2, DPR can moderate the effect of ROA on stock prices, hypothesis 3 DER can moderate the impact of ROA on stock prices.

RESULT

After going through the selection process for determining the sample, where the sample that became the object of this study was a sample that met the criteria as stated in the previous provisions, the final number of companies included in the sample criteria was 20 banking companies listed on the Indonesia Stock Exchange in period 2018-2021. The 20 companies selected to be the sample are as follows PT Bank ICB Bumiputera Tbk (Previously: PT Bank Bumiputera Indonesia Tbk), PT. Bank Central Asia Tbk, PT. Bank Bukopin Tbk, PT Bank Negara Indonesia (Persero) Tbk, PT Bank Nusantara Parabyangan Tbk, PT Bank Rakyat Indonesia (Persero) Tbk, PT Bank Danamon Tbk, PT Bank Kesawan Tbk, PT Bank Mandiri (Persero) Tbk, PT Bank Bumi Arta Tbk, PT Bank International Indonesia Tbk, PT Bank Permata Tbk, PT Bank Swadesi Tbk, PT Bank Victoria International Tbk, PT Bank Artha Graha Internasional Tbk, PT Bank Mayapada Tbk, PT Bank Mega Tbk, PT Bank OCBC NISP Tbk, PT Bank Pan Indonesia Tbk, and PT Bank Association of Brothers 1906 Tbk.

Based on calculations using the SPSS 20 program, the results of the descriptive statistics obtained from the 20 banking companies that became the research sample are as follows:

Table 1. Results of descriptive statistics

Variables	N Statistics	Means Statistics	std. Deviation Statistics
GCG	20	1.6500	.58714
ROA	20	2.8500	1.30888
CAR	20	1.8500	.98809
INFL.	20	1.3500	.48936
NPLs	20	1.3000	.00000
Valid N (listwise)	20		

The average Non-Performing Loan (NPL) of 20 banks from 2018 to 2021 is 1.3. This shows that the NPL value during that period was still within the maximum NPL limit required by Bank Indonesia, which was 5%. The bank with the lowest NPL value is PT Bank Mayapada Tbk in 2018, with a value of 0.48. Meanwhile, the bank with the highest NPL value was PT Bank Mandiri (Persero) Tbk, which was 8.69. The GCG ratings of the sampled banks ranged from very good to good to moderate. The best composite value, classified as very good (excellent), is 0.907, which Bank Mandiri Tbk owned in 2008. While the lowest category, which is classified as quite good with a value of 2.675, was owned by Bank Kesawan Tbk in the same year. The average GCG rating of banks that went public in the research period, 1.66049, is included in the excellent category. The average Return On Assets (ROA) of the 20 sample companies is .6683, with the lowest value of 0.06 owned by PT Bank International Indonesia Tbk and the highest value of 3.82 owned by PT Bank Rakyat Indonesia (Persero). Tbk. The ROA standard deviation is 2.8500.

The sample companies' capital adequacy ratio (CAR) has an average value of 16.9341, with the lowest value of 10.36 owned by PT Bank Kesawan Tbk in 2018, and a maximum weight of 34.30 held by PT Bank Bumi Art. ha Tbk. The CAR of the sample companies has a standard deviation of 5.66927, meaning that the CAR has the most comprehensive data distribution among the independent variables. The highest average inflation rate occurred in 2011, with a figure of 10.31, classified as moderate

inflation, while the lowest average inflation rate was at 4.90, namely in 2018, classified as mild inflation. However, the average inflation rate in the research timeframe, 2018-2021, is classified as benign inflation.

Multiple Regression Analysis

The statistical analysis used in this study is multiple linear regression. This analysis is used to determine the effect of the independent variables (independent) on banking performance proxied by (RGEC), namely GCG, ROA, and CAR, on the dependent variable, namely Investment Risk_NPL (Y). The regression analysis produces regression coefficients indicating the direction of the causal relationship between the independent and values

Table 2. Multiple Regression Test Results and Partial Test

Model	B	t	sign
(Constant)	.819	2,193	043
GCG	.393	2.109	051
ROA	.028	.313	.758
CAR	-.107	-.908	.377

Based on calculations via computer using the SPSS 20.00 program, as shown in the table above, the multiple regression equation is obtained by looking at the beta coefficient (B) as follows:

$$NPL = 0.819 + 0.393\ GCG + 0.028\ ROA - 0.107CAR$$

From the equation above, it can be interpreted as follows:

The meaning of the constant is 0.819. If the Profitability Independent variable is 0, then the value of the NPL dependent variable is 0.819. The regression coefficient of 0.393 means that if GCG increases, NPL will increase, assuming other variables are constant. The regression coefficient of 0.028 means that if ROA increases, NPL will increase, assuming other variables are constant. The regression coefficient of -0.107 means that if CAR increases, NPL will decrease, assuming other variables are constant.

Table 3 T-Test Results Determination of Moderation Variable Classification

Model	B	t	sign
(Constant)	1.142	1918	.074
GCG	.340	1,662	.117
ROA	045	.478	.639
CAR	-.131	-1,051	.310
INFL	-.183	-.704	.492

Table 4. Moderation Linear Regression t Test Results

Model	B	t	sign
(Constant)	-.728	-.602	.558
GCG	1,583	2,555	.025
ROA	.257	.816	.431
CAR	-.514	-1,326	.209

INFL	1,469	1,547	.148
GCG*INFL	-.976	-2,099	058
ROA*INFL	-.234	-.884	.394
CAR*INFL	.283	.966	.353

In addition to explaining the multiple regression equation, Table 3 and Table 4 will also answer the research hypothesis because it can interpret the direction of the relationship and the level of significance as follows:

1) Based on the results of the t-test indicating that GCG has a positive and insignificant effect on NPL, this conclusion is obtained from the t-calculated value which is smaller than the t table, where the t calculated for the GCG variable is 2.109 with a Sign > Alpha value of 5% (0.0511> 0.05). And the interaction of GCG with inflation has a negative and insignificant effect on NPL. This conclusion is obtained from the t-count value, smaller than the t-table, where the t-count for the interaction of GCG with inflation is -2.099 with a Sign value < Alpha 5% (0.058> 0.05).
2) Based on the results of the t-test indicating that ROA has a positive and insignificant effect on NPL, this conclusion is obtained from the t-calculated value which is smaller than the t table, where the t calculated for the ROA variable is 2.109 with a Sign > Alpha value of 5% (0.0511> 0.05). And the interaction between ROA and inflation has a negative and insignificant effect on NPL. This conclusion is obtained from the t-value, which is smaller than the t-table, where the t-count for the interaction between ROA and inflation is -2.099 with a Sign value < Alpha 5% (0.058> 0.05)).
3) Based on the results of the t-test indicating that CAR has a positive and insignificant effect on NPL, this conclusion is obtained from the t-calculated value which is smaller than the t table, where the t calculated for the CAR variable is 2.109 with a Sign > Alpha value of 5% (0.0511> 0.05). And the interaction of CAR with inflation has a negative and insignificant effect on NPL. This conclusion is obtained from the t-count value, smaller than the t-table, where the t-count for the interaction of CAR with inflation is -2.099 with a Sign value < Alpha 5% (0.058> 0.05).

DISCUSSION

The Effect of Good Corporate Governance (GCG) on NPL

The application of the concept of good corporate governance is one of the efforts to restore the confidence of investors and related institutions in the capital market. The purpose of implementing good corporate governance is to improve organizational performance and prevent or minimize opportunities for manipulation practices and significant errors in the management of administrative activities. The implementation of GCG is essential in building market confidence and encouraging more stable and long-term international investment flows.

GCG is an assessment of how the company implements the principles of Good Corporate Governance set by Bank Indonesia. From the results of the study, it was found that the GCG rating affects the company's NPL. This happens because by implementing good GCG, it is possible for a company to generate profits that will increase. After all, good GCG means good management and sound governance. Good leadership and governance allow the company to continue developing and improving its performance so that the fulfillment of GCG provisions by the company will be one of the elements that investors pay attention to in choosing the shares they want to own.

Effect of Return On Assets (ROA) on Investment Risk

Return on Assets (ROA) shows the company's ability to measure the effectiveness of the company's performance in obtaining profit by utilizing its assets. According to Dendrawijaya (2003),

the greater the ROA of a bank, the better the position of the bank in terms of asset use. Bank Indonesia hinted at a reasonable ROA rate of above 1.22%. The greater the ROA of a bank, the better the position of the bank in terms of asset use. The results of the research on the third variable show that ROA has a significant effect on the stock prices of banking companies that go public on the IDX. These results are by the research conducted by Abdullah and Suryanto (2004) but are contrary to the effects of a study conducted by Nasser and Djaddang (2005) and Dewi (2011). The ROA level illustrates a bank's ability to obtain profits (return on assets) used in company operations by using available assets. Therefore this ratio is no less important in predicting total investment risk (NPL). This ratio compares the company's net profit and tangible assets. Investors can determine the company's ability to earn profits from the ROA ratio.

In conventional economics, the main motive of investors in investing their funds is to achieve maximum profit or profit. If a company has a high ROA, the company will also be able to generate high profits. With high yields, the chances of the number of dividends distributed to investors will also be higher. A signal in the form of an increase in the ROA ratio will impact the investors' positive perception in assessing the company. Hence, the ROA ratio significantly affects the NPL of banking companies.

Effect of Capital Adequacy Ratio (CAR) on Total Investment Risk (NPL)

The Capital Adequacy Ratio (CAR) is the ratio of the bank's capital to the available capital requirements after calculating the risk margin (risk growth) of risky assets (RWA) (Siarnat, 1993). CAR is a financial ratio that measures a bank's ability to bear risks that may arise on purchases. CAR is intended to determine the ability to exist capital to cover possible losses in credit and securities trading activities, according to SK BI No. 30/11/KEP/DIR/Date. April 30, 1997, the CAR value of banking companies cannot be less than 8%.

The results of this study indicate that the Capital Adequacy Ratio (CAR) affects the stock price of banking companies. These results are the results of research conducted by Abdullah and Suryanto (2004), Nasser and Djaddang (2005), Praditasari (2009), and Dewi (2011) and by the theory expressed by Tiamat (1993), which states that a high CAR means that the bank is increasingly solvable, the bank has sufficient capital to run its business so that it will increase the profits earned. Big profits will attract many investors, so there will be an increase in investment risk.

The Effect of Inflation Rate on the Relationship Between Good Corporate Governance (GCG) and Company Investment Risk

The inflation rate does not significantly affect the relationship between the GCG rating and the company's total investment risk (NPL), even though both the inflation rate and GCG directly influence the company's investment risk. A company's GCG rating depends on how management manages the company's operations. How is the quality of company management in implementing GCG principles set by the government, as stated in Bank Indonesia Regulation No. 8/4/PBI/2006, concerning the Implementation of Good Corporate Governance for Commercial Banks? How is the implementation of the duties and responsibilities of each essential element in the company, how is the bank's strategic plan, and what is the transparency of the company's financial and non-financial conditions? Therefore, the GCG rating depends on the internal company and is not influenced by macro variables such as the inflation rate. Even though the company is experiencing financial problems due to inflation, as long as the management maintains the application of GCG principles and maintains company transparency, this will not affect it too much. Therefore, the inflation rate will not significantly affect the relationship between GCG and the company's stock price. It won't matter much. Therefore, the inflation rate will not significantly affect the relationship between GCG and the company's stock price. It won't matter

much. Therefore, the inflation rate will not significantly affect the relationship between GCG and the company's stock price.

The Influence of the Inflation Rate on the Relationship Between Return on Assets (ROA) and the Company's Total Investment Risk (NPL)

The inflation rate that occurs impacts the banking companies' performance. High inflation will increase the company's operating costs and hurt prices and revenues, which will ultimately reduce the company's profits. The results of this study indicate that the inflation rate significantly influences the relationship between the Return on Assets (ROA) and the Investment Risk of banking companies. Rising inflation will strengthen the relationship between ROA and company investment risk. High inflation will increase goods and raw materials prices for companies that cause high production costs. An increase in raw material prices will lead to a decrease in the number of requests, which will also reduce sales. This condition will adversely affect the company's earnings and performance, diminishing stock returns. This causes investors to become less interested in investing in the company concerned; according to the law of demand and supply, prices tend to go down with less investor interest in these shares. In other words, the higher the inflation, the company's ROA tends to decrease, which will also be followed by a decrease in total investment risk (NPL). Conversely, the smaller the inflation rate that occurs, the company's performance will increase, and the ROA will be higher, which increase will also follow in the investment risk involved.

The Effect of Inflation Rate on the Relationship Between Capital Adequacy Ratio (CAR) and Company Investment Risk

CAR is the primary assessment in the aspect of banking capital. The higher CAR value reflects the increasingly solvable condition of the bank. Where the bank has sufficient money to run its business so that it will increase the profits earned so that there will be an increase in investment risk. The results of this study indicate that the inflation rate affects the relationship between the CAR value and the investment risk of the company concerned. The inflation rate will weaken the relationship between CAR and total investment risk (NPL). The higher the level of inflation that occurs, the CAR of banking companies tends to decrease, which will also impact reducing Investment Risk.

As previously described, CAR is calculated by comparing the bank's capital with the amount of Risk Weighted Assets (RWA). Bank capital comes from various sources, from the bank itself, the wider community, or other institutions. Funds originating from the bank itself can come from shareholder capital contributions, bank reserves formed from the previous year's profits, or bank profits that have not been shared. The high rate of inflation will affect the performance of the banking system, where during times of crisis, corporate profits tend to decline. This will impact reduction funds that can be used as capital, which will decrease the value of the company's CAR. Therefore, the inflation rate will also influence the relationship between CAR and the company's investment risk.

CONCLUSION

Based on the results of research and discussion in this study, it can be concluded as follows:
The partial results of hypothesis testing show that:

1) Good Corporate Governance (GCG) has a significant influence on the entire investment risk (NPL) of banking companies that go public on the Indonesian Stock Exchange (IDX) for the 2018-2021 period.
2) Return On Assets (ROA) has a significant influence on the entire investment risk (NPL) of banking companies that go public on the Indonesia Stock Exchange (BE[) for the 2018-2021 period.

3) The Capital Adequacy Ratio (CAR) has a significant influence on the entire investment risk (NPL) of banking companies that go public on the Indonesia Stock Exchange (IDX) for the 2018-2021 period.
4) The inflation rate does not influence the relationship between Good Corporate Governance (GCG) ratings and NPL, meaning that the inflation rate is not a moderating variable in the relationship between Good Corporate Governance (GCG) ratings and stock prices. The inflation rate does not affect the relationship between banking performance related to Good Corporate Governance and NPLs.
5) The inflation rate influences the relationship between Return on Assets (ROA) and NPL, meaning that the inflation rate is a moderating variable in the relationship between Return on Assets (ROA) and Investment Risk. The inflation rate affects the relationship between banking performance related to Return on Assets and NPLs.
6) The inflation rate influences the relationship between Capital Adequacy Ratio (CAR) and NPL, meaning that the inflation rate is a moderating variable in the relationship between Capital Adequacy Ratio (CAR) and Investment Risk. The inflation rate affects the relationship between banking performance related to Capital Adequacy Ratio and NPL.

RESEARCH IMPLICATIONS

From the results of this study, it can be seen that banking performance influences investment risk. For this reason, banks are expected to improve their ability to manage credit and capital, utilize assets more effectively, and are committed to implementing good corporate governance by Bank Indonesia regulations. Thus, banking companies will be able to attract many investors and increase their NPLs.

In addition, companies should always be careful of macroeconomic changes. Economic crises, such as the inflation rate, will affect the company's condition and impact NPL. Companies must build suitable financial needs to be more resilient in facing crises.

For investors interested in investing in banking stocks, it is hoped that they will not only pay attention to one component of the company's performance but also look at the company's condition as a whole, both qualitatively and quantitatively. Equally important, investors should also pay attention to economic conditions such as the inflation rate and the possibility of a crisis to avoid and minimize the risks that may be faced.

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