



The influence of interest rate risk ratio and capital adequacy ratio on profit growth in banking companies listed on the stock exchange

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Abstract

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Banks are faced with the challenge of ensuring that they have the right strategy in managing IRR and maintaining CAR within the required limits. A decline in profit growth can be an indicator that banks may be facing difficulties in managing this risk effectively. In this study, the population used was banking companies listed on the IDX (Indonesia Stock Exchange) for the period 2021–2023, namely 33 companies. The type of research used by the author in this study is descriptive and quantitative. The sampling technique used in this study was the purposive sampling method. Based on the characteristics of the sampling above, the companies that were sampled in this study were 16 companies out of 33 banking companies listed on the Indonesia Stock Exchange during 2021–2023. The location of this research is in banking companies listed on the official website of the Indonesia Stock Exchange www.idx.co.id and the official website of banking companies. Based on the influence of each variable simultaneously, it can be seen that the F count value (5.652) > F table (3.20) with a significant level of 0.006 < 0.05. So this shows that H3 is accepted. Interest Rate Risk Ratio and Capital Adequacy Ratio have a significant effect on profit growth. The effect of Interest Rate Risk (IRR) and Capital Adequacy Ratio (CAR) on profit growth has been studied in the context of banking. Based on the results of the research that has been done, it can be concluded that In the Interest Rate Risk Ratio the t count value is 1.729 > t table (1.678) (nk = 48-2-1 = 45), then there is a significant effect on profit growth. In the Capital Adequacy Ratio the t count value is 3.785 > t table (1.679) (nk = 48-2-1 = 45), then there is a significant effect on profit growth. Based on the influence of each variable simultaneously, it can be seen that the Fcount value (5.652) > Ftable (3.20) with a significant level of 0.006 < 0.05. So this shows that H3 is accepted. Interest Rate Risk Ratio and Capital Adequacy Ratio have a significant effect on profit growth.

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1. INTRODUCTION

The economy of every country, both developing and developed, depends on the banking sector. Banks, as important institutions, perform various tasks, one of which is as an intermediary institution, helping parties who have excess funds (surplus) with parties who need funds (deficit). This intermediation function will run well if the surplus and deficit parties trust the bank.

In addition to examining the influence of Interest Rate Risk Ratio (IRR) and Capital Adequacy Ratio (CAR) on profit growth in banking companies, it is also crucial to consider the role of banking policies and regulations in determining the optimal CAR for banks in Indonesia. Regulatory authorities, such as Bank Indonesia (BI) and the Financial Services Authority (OJK), play a significant role in setting the minimum CAR requirements for banks operating in the country. These regulations are designed to ensure the stability of the banking sector, protect depositors, and maintain public confidence in the financial system. The CAR is a key regulatory measure that helps banks absorb losses during periods of financial stress, ensuring that they remain solvent and capable of fulfilling their obligations. In Indonesia, the OJK mandates that banks maintain a CAR above a certain threshold, which varies depending on the bank's risk profile, size, and market conditions. The role of banking policies is to strike a balance between maintaining sufficient capital reserves and allowing banks the flexibility to grow and generate profits. Overly stringent CAR requirements could limit banks' lending capacity, while insufficient capital buffers could expose them to higher risks, particularly during times of economic volatility or market shocks.

Therefore, banking policies and regulations are essential in guiding banks toward maintaining an optimal CAR that ensures financial stability without compromising profitability. Regulatory frameworks also help mitigate risks, such as credit risk, liquidity risk, and market risk, by enforcing prudent capital management practices and ensuring that banks operate in a safe and sound manner. These regulations, combined with effective risk management practices, are integral to sustaining long-term growth and profitability in the Indonesian banking sector.

According to Banking Law Number 10 of 1998, a bank is an organization that collects money from people in the form of savings and then gives the money to people in the form of credit or other means to help improve people's standard of living. Banks do things like collect and distribute funds or fund and fund. Banks function as intermediaries between those who need funds and those who have them.

Capital Adequacy Ratio (CAR) is another very important parameter for the sustainability and stability of banking. CAR measures the adequacy of a bank's capital in bearing the risks that may arise from its operations. Banks need to comply with the minimum CAR requirements set by banking authorities to protect customer deposits and maintain public confidence in the financial system. Adequate capital not only protects banks from the risk of loss, but also enables banks to safely take on larger business opportunities.

Market risks, such as interest rate risk and exchange rate risk, are the main factors that banks must manage. These risks can affect the value of bank assets and liabilities, so risk assessments such as the Interest Rate Risk Ratio (IRR) become crucial. On the other hand, capital adequacy as measured by the *Capital Adequacy Ratio* (CAR) is the main buffer in facing these risks. Adequate capital not only protects banks from potential losses but also supports the bank's ability to generate optimal profits.

Assessment of bank financial performance is carried out through financial reports such as balance sheets, profit and loss statements, and cash flow statements. Information from these financial reports is the basis for decision making, both by internal parties of the bank and external stakeholders. In the context of fluctuating economic conditions, as often occurs in Indonesia, banks must be able to identify and manage

risks well to mitigate negative impacts on their financial performance. This study aims to uncover factors that can cause a slowdown in the growth of bank company profits, with a focus on analyzing the influence of IRR and CAR on financial performance. Historical data on bank company profit growth from 2021 to 2023 will be used as a basis for an in-depth analysis of trends and challenges faced by the banking sector. According to (Abdillah, 2020:175–184) (The *risk* factors used in this study are credit risk, liquidity risk, and market risk. Credit risk is proxied by *Non Performing Loan* (NPL), liquidity risk is proxied by the *Loan to Deposit Ratio* (LDR), *Cash Ratio* (CR), and market risk is proxied by *Interest Rate Risk* (IRR). Then the *earning factor* is proxied by Operating Expenses Income Operational (BOPO) Because used For measure level efficiency And ability bank in do activity its operations. According to (Wiranthie & Putranto, 2022:440) Factor *capital* proxied with the *Capital Adequacy Ratio* (CAR). *Capital Adequacy Ratio* (CAR) is a financial ratio related to banking capital where the amount A bank's capital will influence whether or not a bank is capable of efficient running its activities. If the capital owned by the bank can be used company in a way efficient, with by itself bank the can to obtain profit as expected. Based on the background that has been put forward and the phenomena that occur in the company environment, the researcher is interested in taking the research title " Influence *Interest Rate Risk Ratio* and *Capital Adequacy Ratio* on Profit Growth in Banking Companies Listed on the IDX ". The formulation of the problem of this study is whether there is an influence of the Interest Rate Risk Ratio on Profit Growth in Banking Companies Listed on the IDX, whether there is an influence of the Capital Adequacy Ratio on Profit Growth in Banking Companies Listed on the IDX and whether there is an influence of the Interest Rate Risk Ratio and Capital Adequacy Ratio on Profit Growth in Banking Companies Listed on the IDX

2. RESEARCH METHOD

The type of research used by the author in this study is descriptive and quantitative. According to (Suwarsa, 2021:119) descriptive research is research that aims to describe a condition or object of concern in research activities systematically.

Of the 33 banking companies listed on the Indonesia Stock Exchange (BEI) during the 2021–2023 period, 16 companies were selected using purposive sampling based on certain criteria. These criteria include the availability of complete financial data for the 2021–2023 period, stable operational performance, and adequate profitability. Companies that had incomplete data or did not meet these criteria were excluded from the sample. Thus, the selected sample is expected to represent the banking sector listed on the IDX and be relevant to the research objectives regarding the influence of the Interest Rate Risk Ratio (IRR) and Capital Adequacy Ratio (CAR) on profit growth.

According to (Sugiyono, (2019:16) defines quantitative research as research based on the philosophy of *positivism* , used to research certain populations or samples, data collection using research instruments, quantitative/statistical analysis with the aim of testing the stated hypothesis. Based on this type of research, the author wants to describe The Influence of *Interest Rate Risk Ratio* and *Capital Adequacy Ratio* on Profit Growth in Banking Companies Listed on the IDX.

The population is still very general to the object of research, it could be that the population used in the study uses a very large number of objects so that its nature is still general and can be further narrowed down for the scope of the object. In the study, the population used was banking companies listed on the IDX (Indonesia Stock Exchange) for the period 2021–2023, namely 33 companies.

Based on the sampling characteristics above, the companies sampled in this study were 16 companies out of 33 banking companies listed on the Indonesia Stock Exchange during 2021-2023.

Table 1. Samples of Banking Companies for the Period 2021-2023.

No	Stock Code	Name Issuer
1 .	CHAPTER	Bank MNC I n ternasional Tbk.
2 .	BBSI	Chrome Bank Indonesia Tbk
3.	BGTG	Bank Ganesha Tbk.
4 .	CONSTRUCTION	Bank First Lady Tbk.
5 .	BRIS	Bank Syariah Indonesia Tbk
6 .	NISP	Bank OCBC NISP Tbk.
7 .	AGRS	Bank IBK Indonesia Tbk.
8	BBTN	Bank State Savings (Limited) Tbk.
9	MCOR	Bank China Construction Bank Ind. Tbk
10	BBRI	Bank People Indonesia Tbk.
11	BNI	Bank Country Indonesia (Limited) Tbk.
12	BNGA	Bank CIMB Commerce Tbk.
13	BDMN	Bank Danamon Indonesia Tbk.
14	BNLI	Bank PT.
15	BBCA	Bank Central Asia Tbk.
16	BBHI	Bank Hardy International Tbk

Source : Processed secondary data (2024)

The location of this research is in banking companies registered on the official website of the Indonesia Stock Exchange www.idx.co.id and the official websites of banking companies.

According to (Sugiyono, 2018:83) The data analysis method in this study uses multiple linear regression analysis. Multiple linear regression analysis is used by researchers if the number of independent variables is at least two. The relationship of more than two variables is used to estimate or predict the value of the dependent variable because it would be better if it also takes into account other variables that influence the dependent variable (Y), thus the dependent variable has a relationship with the independent variable (X)

2.1 Hypothesis Testing

a. Partial test (t-test)

According to (Watung et al., 2016:729) The t-statistic test shows how far the influence of one independent variable or explanatory variable individually in explaining the dependent variable. If the significance probability value is less than 0.05 (5%) then an independent variable has a significant effect on the dependent variable. The hypothesis is accepted if the significance level is <0.05 and the hypothesis is rejected if the significance level is >0.05 . The criteria for the hypothesis test are if $t \text{ count} > t \text{ table}$, then H_0 is rejected and H_a is accepted and if $t \text{ count} < t \text{ table}$, then H_0 is accepted and H_a is rejected.

b. Simultaneous Test (F Test)

According to (Watung et al., 2016:725) Simultaneous influence test is used to determine whether independent variables simultaneously or together affect dependent variables. Simultaneous influence test (F Test) is known as Simultaneous Test or Model test/Anova Test. The F statistical test in this research data analysis uses a confidence standard of 0.05 .

The F statistical test is used to prove that there is an influence between independent variables on dependent variables simultaneously. The criteria for the simultaneous test are as follows: (a) If $F \text{ count} > F \text{ table}$, then H_0 is rejected and H_a is accepted. (b) If $F \text{ count} < F \text{ table}$, then H_0 is accepted and H_a is rejected.

Test of Determination Coefficient ()

According to (Watung et al., 2016:728) The purpose of the analysis is to calculate the magnitude of the influence of the independent variables on the dependent variable. The R^2 value shows how much influence the independent variables (X), namely *Interest Rate Risk (IRR)* , and *Capital Adequacy Ratio (CAR)* have on the dependent variable (Y),

namely Profit Growth. The higher the R^2 value, the greater the proportion of the total variation of the dependent variable that can be explained by the independent variable.

3. RESULTS AND DISCUSSIONS

3.1 Descriptive Research Data

The data in this study are secondary data obtained from the financial reports of banking companies listed on the Indonesia Stock Exchange through the website www.idx.co.id for the period 2021-2023. Data analysis involves one dependent variable, namely profit growth for 3 years, so that 48 observations are obtained. While for the independent variables there are 2 (two), namely *Interest Rate Risk Ratio* and *Capital Adequacy Ratio*. The following is a description of the data from each variable used in this study.

a. Description of *Interest Rate Risk Ratio*

Descriptive *Interest Rate Risk Ratio* (IRR) This study uses *Interest Rate Risk Ratio* (IRR) data published in the financial statements of banking companies listed on the Indonesia Stock Exchange through the website www.idx.co.id. The results of the descriptive analysis of the *Interest Rate Risk Ratio* (IRR) variable for data in the period 2021-2023 are presented in the following graph:

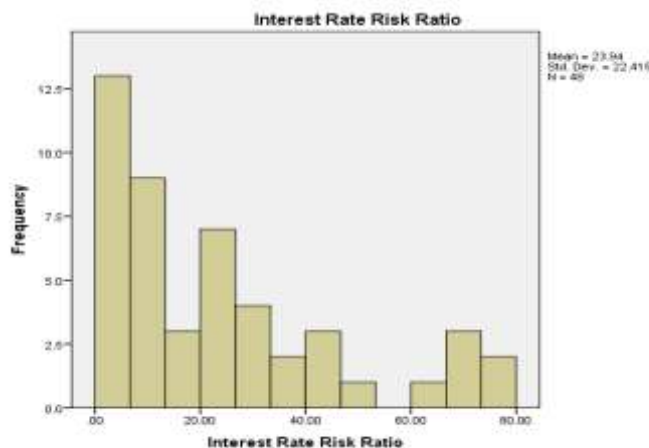


Figure 1 Interest Rate Risk Ratio (IRR) Statistical Graph

Interest Rate Risk Ratio is a metric that measures how much exposure a bank has to changes in interest rates. In the analyzed data, there are 48 observations from various banks. The minimum value recorded was 1.01, indicating that there are banks that have very low exposure to interest rate risk. In contrast, the maximum value reached 78.34, indicating that banks are highly exposed to this risk. The mean of the entire sample is 23.9429, indicating a fairly moderate level of interest rate risk exposure overall. However, the standard deviation of 22.41510 indicates significant variation across banks. This means that while the mean shows a moderate level of risk, there are banks that have exposures much higher or much lower than the mean. These variations may be due to differences in risk management strategies, types of products offered, and the asset and liability structure of each bank.

b. Description of *Capital Adequacy Ratio*

This study uses data a. *Capital Adequacy Ratio* published in the financial statements of banking companies listed on the Indonesia Stock Exchange through the website www.idx.co.id. The results of the descriptive analysis of the *Capital Adequacy Ratio*

Ratio variable for data for the period 2021-2023 are presented in the following graph:

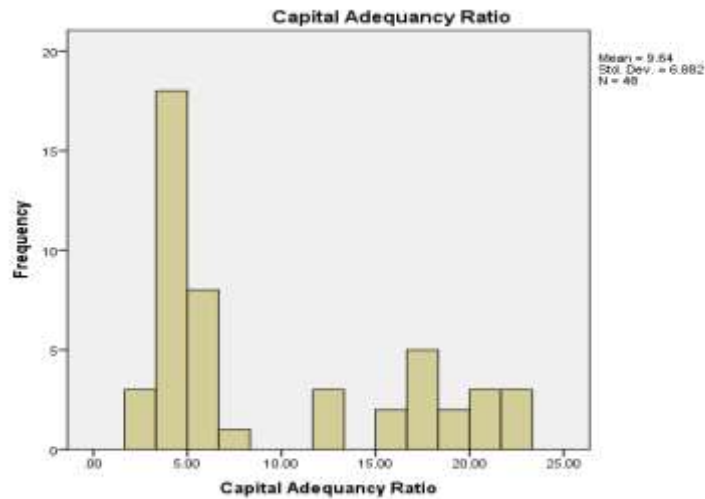


Figure 2 Capital Adequacy Ratio Statistic Graph

c. Profit Growth

The descriptive description of Profit Growth in this study is based on data published in the financial reports of banking companies listed on the Indonesia Stock Exchange, which can be accessed through the website www.idx.co.id. The results of the descriptive analysis for the Profit Growth variable in the period 2021-2023 show variations in the financial performance of these banks.

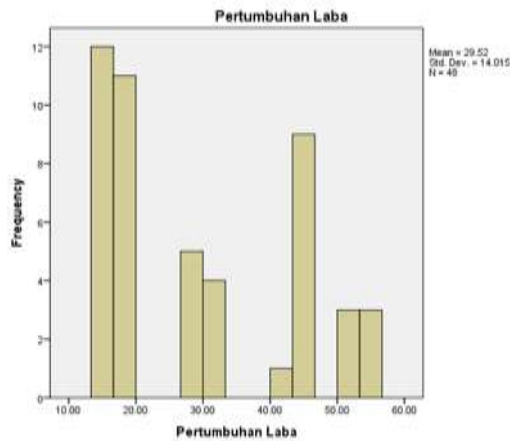


Figure 3 Profit Growth Statistics Graph

d. Descriptive Analysis

Table 2 Descriptive Analysis

Descriptive Statistics	N	Minimum	Maximum	Mean	Std. Deviation
Interest Rate Risk Ratio	48	1.01	78.34	23.9429	22.41510
Capital Adequacy Ratio	48	2.48	22.86	9.6389	6.88154
Profit Growth	48	14.90	55.91	29.5239	14.01474
Valid N (listwise)	48				

Researcher Source Spss 22, 2024

Based on Table 4.2 presents descriptive statistics of three financial variables for 48 listed banks. For the *Interest Rate Risk Ratio*, the minimum value recorded is 1.01, indicating that some banks have very low interest rate risk exposure. In contrast, the maximum value reaches 78.34, indicating that there are banks with very high risk exposure. The average ratio is 23.9429, indicating a moderate level of interest rate risk exposure across the sample. The standard deviation of 22.41510 indicates significant variation in the data, with some banks having risk well above or below the average.

e. Multicollinearity

Test Multicollinearity aiming For test whether model regression found a correlation between independent variables. The regression model that Good should No happen correlation between variable independent. For detect There is or whether or not multicollinearity in in model regression can seen from (1) Mark Tolerance And his opponent, And (2) Variance Inflation Factor (VIF). To indicate the presence of multicollinearity is the tolerance value ≥ 0.10 or equal to the VIF value ≤ 10 . The results of the multicollinearity test can be seen in table following :

Table 3 Multicollinearity Test Results

Model	Coefficients ^a		
	Coefficients ^a		
	Collinearity Statistics		
	Tolerance	VIF	
<i>Interest Rate Risk Ratio</i>	.981	1,020	
<i>Capital Adequacy Ratio</i>	.981	1,020	

a. Dependent Variable: Profit Growth

Source : Data Processing Results SPSS 22, 2024

Based on the table above, it can be seen that the Tolerance values of *the Interest Rate Risk Ratio* and *Capital Adequacy Ratio variables*, respectively The value is > 0.100 . This shows that the two variables do not show multicollinearity. Likewise, the VIF table shows that the VIF value is < 10.00 , this can also indicate that the independent variables used do not show multicollinearity.

3.2 Results Analysis Regression Linear Multiple

Regression linear multiple intended For determine connection linear between a number of variable free Which normal called X_1 , X_2 and next with variable bound Which called Y0

Based on results processing data with program SPSS 22 obtained the results are as follows.

Table 4 Results of Multiple Linear Regression Analysis Test

Model	Coefficients ^a					
	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.	
	B	Std. Error				
(Constant)	24,031	2,429		9,893	.000	
1	<i>Interest Rate Risk Ratio</i>	.102	.067	.197	1.729	.033
	<i>Capital Adequacy Ratio</i>	2,573	.680	.487	3.785	.000

a. Dependent Variable: Profit Growth

Source : Data Processing Results SPSS 22, 2024

Based on on table 4. 6 on so equality regression multiple in study This is :

$$Y = 24,031 + 0.102 X_1 + 2.573 X_2 + e$$

From equality on, so can interpreted as following: (a) The constant of 24.031 shows that if there are no independent variables ($X_1, X_2, = 0$) then Profit Growth is 24.031. (b) *The Interest Rate Risk Ratio* of 0.102 shows that every 1% increase in the *Interest Rate Risk Ratio* will be followed by an increase in profit growth of 0.102. (d) *The Capital Adequacy Ratio* of 2,573 shows that every 1% increase in the *Capital Adequacy Ratio* will be followed by an increase in profit growth of 2,573.

It means every there is an increase in the *Interest Rate Risk Ratio* and *Capital Adequacy Ratio*, then will influential on profit growth. Which based on If mark b is at positive (+) so will show number increase/rise And If b marked (-) so will show number decline.

a. Test Partial (Test t)

Test t aiming For show how much Far influence variable independent of the dependent variable. In addition, the t-test is a test that is carried out For prove hypothesis beginning that is *Interest Rate Risk Ratio* and *Capital Adequacy Ratio* on profit growth .

Table 4 Partial Test Results (t-Test)

Model	Coefficients ^a			T	Sig.
	Unstandardized Coefficients	Standardized Coefficients	Beta		
	B	Std. Error			
	(Constant)	24,031	2,429	9,893	.000
1	<i>Interest Rate Risk Ratio</i>	.102	.067	.197	.033
	<i>Capital Adequacy Ratio</i>	2,573	.680	3.785	.000

a. Dependent Variable: Profit Growth

Source : Data Processing Results SPSS 22 , 2024

Based on table 4.7 on known that mark significant For *Interest Rate Risk Ratio* (0.033) , smaller than alpha 5% (0.05) or the calculated t value (1,729) > t table (1.678) (n - k = 48 - 2 - 1 = 45) , while for the *Capital Adequacy Ratio* (0.000) smaller than alpha 5% or the calculated t value (3.785) > t table (1.678) .

b. F Test (Simultaneous Test)

The F test is used to see whether the independent variables simultaneously have an influence on the dependent variable. Decision-making criteria:

Table 5 Simultaneous Test Results (F Test)

Model		ANOVA ^a			F	Sig. ^b
		Sum of Squares	df	Mean Square		
1	Regression	743,725	2	371,863	5,652	.006
	Residual	2960.719	45	65,794		
	Total	3704.445	47			

a. Dependent Variable: Profit Growth

b. Predictors: (Constant), *Capital Adequacy Ratio*, *Interest Rate Risk Ratio*

Source : Data Processing Results SPSS 22 , 2024

Based on table 4.8, the influence of each variable can be seen individually. Simultaneously it can be seen that the calculated F value (5.652) > F table (3.20) with a level of significant at $0.006 < 0.05$. So this shows that H3 accepted *Interest Rate Risk Ratio* and *Capital Adequacy Ratio* has a significant impact on profit growth.

c. Test Coefficient Determination (R²)

Coefficient determination (R²) used For measure how much Far the ability of the model to explain the variation of the dependent variable. The results of the analysis determination in this study is as following:

Table 6 Results of the Determination Coefficient Test ((R²))

Model	R	R Square	Adjusted R Square	Model Summary ^b			Change Statistics			Durbin-Watson
				Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	
1	.588 ^a	.346	.317	11.58602	.346	11,885	2	45	.000	1.778

a. Predictors: (Constant), *Capital Adequacy Ratio*, *Interest Rate Risk Ratio*

b. Dependent Variable: Profit Growth

Source : Data Processing Results SPSS 22, 2024

Based on table 4. 9 on known that mark R = 0.588 And coefficient of determination (Rsquare) of 0.346 to determine how much percentage Which can explained variable *Interest Rate Risk Ratio* and *Capital Adequacy Ratio* to profit growth of 58.8 % while 41.2 % was influenced by by other variables outside of research This And which is not researched by researchers.

3.3 Discussion

a. *Interest Rate Risk Ratio* Against Profit Growth In Banking Companies Listed On The IDX

In the *Interest Rate Risk Ratio*, the calculated t value is 1.729. > table (1.67 8) (nk = 48-2 -1 = 45), then there is a significant effect on profit growth . Market risk is measured using *Interest Rate Risk* (IRR), according to (Oktanto, 2019: 281) Interest rate risk is the risk that arises due to changes in interest rates, which in turn will reduce the market value of securities, at the same time the bank needs liquidity. This is in line with research conducted by (Sofyan, 2017: 268) In the assessment of market risk calculated using the IRR ratio, and states that *Interest Rate Risk* (IRR) has an effect on profit growth.

In the research conducted by Titik Lestari, it was stated that *the Interest Rate Risk Ratio* (IRR) has a significant effect on profit growth. This condition occurs because *sensitivity to Market Risk* is the ability of bank capital to cover the consequences caused by changes in market risk in various scenarios. Market risk is defined as the risk that arises due to the movement of market variables from the portfolio that can harm the bank (*adverse movement*). The results of the study (Safariah, Fathoni, et al. 2012:256) , prove that IRR has a significant positive effect on profit growth.

b. *Capital Adequacy Ratio* Against Profit Growth in Banking Companies Listed on the IDX

On *Capital Adequacy Ratio* the calculated t value of 3.785 > t table (1.678) (nk = 48-2-1 = 45), then there is a significant influence on *profit growth*. *Capital Adequacy Ratio* (CAR) is one of the indicators that shows the bank's ability to meet its capital adequacy. The higher the CAR means the higher the equity used to fund productive assets, so the lower the cost of funds issued by the bank. The lower the cost of funds issued by the bank, the higher the bank's profit will be (Setijaningsih, 2016: 9) . So CAR has a positive effect on profit growth. This is in line with research conducted by (Wirawan, 2015: 120) , *Capital Adequacy Ratio* (CAR) has no effect on profit growth. While research (Yuliatiningrum, 2014: 136) states that CAR has an effect on profit growth.

CAR is an indicator to assess the capital aspect of a bank. The increase in the CAR ratio is due to the increasing capital, which means that the bank has sufficient capital and is able to cover the risk of loss due to the activities of a bank. Own capital will reduce the cost of funds because the bank itself can use its capital to be allocated to productive assets which will later be able to increase profitability. Therefore, if the CAR ratio produced is greater than or equal to 8%, the banking company can be said to be healthy and automatically the profit growth that will be generated will also increase.

c. Interest Rate Risk Ratio and Capital Adequacy Ratio on Profit Growth in Banking Companies Listed on the IDX

Based on The influence of each variable simultaneously can be seen that the F count value (5.652) > F table (3.20) with a significance level of 0.006 < 0.05. This shows that H3 is accepted. Interest Rate Risk Ratio and Capital Adequacy Ratio have a significant effect on profit growth . The effect of *Interest Rate Risk* (IRR) and *Capital Adequacy Ratio* (CAR) on profit growth has been studied in the banking context. IRR is known to have a significant effect on CAR, and several studies have shown a positive effect on CAR. In addition, *Capital Adequacy Ratio* (CAR) is a significant measure for banks, reflecting the ratio of bank capital to risk-weighted assets. A bank's CAR should ideally increase from year to year, but this does not always happen in some banks. The relationship between IRR, CAR, and other factors such as liquidity risk, credit risk, and market risk has been the subject of research, with findings showing both positive and negative effects. Overall, this study shows that IRR and CAR are important factors in understanding the financial performance and stability of banks, especially in relation to risk management and profitability.

4. CONCLUSION

Based on the statistical results, both the Interest Rate Risk Ratio (IRR) and Capital Adequacy Ratio (CAR) have a significant influence on profit growth, as indicated by their respective t-values being greater than the critical t-table values. However, to determine whether the effect of IRR is more dominant than CAR or vice versa, we need to examine the relative magnitudes of their t-values and coefficients in the regression analysis. In this case, the calculated t-value for CAR (3.785) is significantly higher than the t-value for IRR (1.729). This suggests that CAR has a stronger individual impact on profit growth compared to IRR, as a higher t-value indicates a greater level of significance and influence on the dependent variable. Additionally, the F-statistic (5.652) indicates that both IRR and CAR together have a significant effect on profit growth. However, the individual contribution of each variable should be further analyzed through regression coefficients to determine which factor plays a more dominant role. If the coefficient for CAR is larger than that of IRR, it would further support the conclusion that CAR has a more dominant effect on earnings growth. Conversely, if the coefficient for IRR is higher, it would suggest that IRR plays a more significant role. In conclusion, while both variables are significant, CAR appears to have a stronger individual influence based on the t-values, but a detailed examination of the regression coefficients is needed to definitively determine which variable is more dominant in influencing earnings growth.

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