THE IMPACT OF CAPITAL ADEQUACY RATIO, CREDIT RISK, MARKET RISK, FINANCIAL DISTRESS, AND MACROECONOMIC TOWARD STOCK RETURN WITH AUDIT QUALITY AS MODERATOR

Harsono Yoewono 1*,
1 Accounting Study Program, Multimedia Nusantara University
Stefanus Ariyanto 2*
2 Accounting Study Program, Multimedia Nusantara University

ARTICLE INFO

ISSN: 2774-4256

Keywords:
- Stock Return; Audit Quality; Capital Adequacy Ratio; Credit Risk; Market Risk; Financial Distress; Inflation; Exchange Rate

ABSTRACT

This study was conducted to analyze the effect of capital adequacy ratio, credit risk, market risk, financial distress, inflation, and the exchange rate on stock returns with audit quality as moderating. The object of this research is companies in the banking sector listed on the Indonesia Stock Exchange for the period 2015-2020. This research was conducted with the aim of explaining quantitatively the attitude tendency of the population by examining a sample of the population. The research data is included in the type of secondary data in the form of financial reports and bank annual reports book 3 and book 4 of the implementation of Basel during the period 2015-2020. The data was obtained from the Indonesia Stock Exchange website, namely the website www.idx.co.id. The data analysis method used in this study uses panel data regression with the help of the Eviews 10 program. The results of this study conclude that the capital adequacy ratio, market risk, financial distress, inflation, exchange rate, and audit quality have no effect on stock returns. However, credit risk has an influence on stock returns. In this study there is a moderating variable, obtained audit quality as a moderating variable does not affect the relationship between capital adequacy ratio, market risk, financial distress, inflation, and the exchange rate to stock returns. However, audit quality as a moderating variable is able to influence the relationship between credit risk and stock return.

Introduction

The banking world cannot be separated from human life because all human activity is related to finances and requires a banking background. Banking is an institution that plays a vital role as a bank's primary function is to collect public money and channel it back to various forms of investment that can generate profits (Amalia, 2020). Banking institutions face challenges on almost all grounds, from core business (lending) to secondary business (provision of payment instruments). As economic growth slows down and the banking sector's potential increases, so do the risks to the banking.

The global financial crisis provides very valuable lessons for the banking industry around the world. That is why the union of central banks and world financial authorities based in Switzerland, the Bank for International Settlement (BIS), has begun to aggressively publish the provisions contained in Basel III (Daruri,
Basel III is a revision of Basel II that includes prudential measures to avoid a banking crisis. Like Basel II, Basel III has three pillars, which are 1) increasing the ability of banks to absorb shocks caused by economic and financial pressures regardless of origin; (2) improve risk management and bank governance; and (3) increase transparency and disclosure of banking information. The first pillar relates to the minimum capital requirement (capital adequacy ratio/CAR) which better reflects and can anticipate various risks faced by banks. Many types of risks can erode credit risk, operational risk, market risk, and capital adequacy. This risk management is an important thing that must become a culture in the banking environment.

The second pillar concerns the review process in the context of effective monitoring. Central banks around the world, including Bank Indonesia, have the same function and role in banking regulation and supervision. The ability of banks to see conditions in a timely manner is critical, especially in navigating and complying with an increasingly complex global financial system. The third pillar is market discipline, with an emphasis on regulatory clarity regarding the disclosure of the true state of banks. This relates to transparency namely how open banks are in disclosing information about the conditions they face.

Investment is a delay in use for the purpose of obtaining a return that will be received in the future. Tandelilin (2016) explains that performance is one of the factors that motivate investors to work with them and is a reward for investors' courage to take risks on their investments. In short, return is the profit that investors get from the funds invested. Therefore, returns are very important as one of the factors that attract investors to invest in the stock market. Prudence in investing should be a concern so that investment risk can be reduced and achieve the expected profit so that investment decisions require not only information about the state of the company but also about the state of a country’s economy (Halim in Buana and Haryanto, 2016). Changes in the company’s performance can be influenced by macroeconomic conditions, so if you want to estimate the company’s expected performance because it reflects its share price, investors should consider various experiments including macroeconomic analysis.

The resilience of the banking industry is reflected in credit risk, liquidity risk, and exchange rate risk which are well maintained, and supported by strong capital (Chatarine et al., 2016). This factor affects the efficiency in the provision of bank services, stock returns, and the performance of the bank.

Several previous studies examined what factors affect stock returns. In Ekinci’s research (2016), credit risk has an influence on stock returns. Furthermore, the research by Caparino and Simamora (2020) found that financial distress had a negative and significant effect on stock returns. Mwaurah et al. (2017) in his research found that credit risk affects stock returns on the Nairobi Securities Exchange. Then Adiyadnya (2016) said that the inflation rate has a significant influence on the direction of a negative relationship to stock returns. Furthermore, in his research, the exchange rate has a significant effect on the direction of a positive relationship to stock returns.
However, different results were found by Buana and Haryanto (2016), where market risk has no significant effect on stock returns because investors tend to be risk-averse. Likewise, Kewal et al. (2020) found that financial distress had no effect on stock returns. Then Bobbi's research (2017) found that inflation did not have a significant effect on stock returns.

Previous studies have focused on the fundamental aspects of the company and macro factors as factors that influence stock returns, but in the process of implementing company operations by management to produce good fundamental performance, it cannot be separated from behavioral factors or management character, so the role of audit quality in controlling behavior management in order to stay in line with the company's goals is urgent. Thus, the researchers tried to develop models of stock return that have existed so far, by involving audit quality as a moderating factor. This is the novelty of this research compared to previous research.

From the several studies above, the results are not conclusive, and it is still rare to find research on audit quality in moderating the effect of capital adequacy ratio, credit risk, market risk, financial distress, and macroeconomics on stock returns. On this basis, researchers are interested in conducting research by examining the impact of capital adequacy ratio, credit risk, market risk, financial distress, and macroeconomics toward stock returns with audit quality as a moderator in banking companies listed on the Indonesia Stock Exchange for the period 2015 to 2020.

**Literature Review**

Riyadi in Amalia (2020) revealed that all banks in Indonesia must maintain a minimum capital adequacy ratio (CAR). The size of a bank's capital adequacy ratio or CAR can be influenced by two main factors, namely the amount of capital held by the bank and the number of risk-weighted asset (RWA) owned by the bank. This is because the capital ratio calculation is based on the weighted capital asset ratio (RWA). Capital adequacy serves to maintain the confidence of external parties in the company's performance and the company's ability to accommodate the risk of loss that may be faced. The greater the company's CAR level, it can attract investors to invest which will affect demand and increase prices so that the value of the company will also increase (Anisa & Suryandari, 2021). The capital adequacy ratio is measured by the Capital Adequacy Ratio (CAR):

\[
CAR = \frac{Bank \ Capital}{Risk \ Weighted \ Assets} \times 100\% \ (1)
\]

Africa (2016) describes credit risk as when a customer fails to make a payment or breaches a contract. The ability and effectiveness of banks to manage their risks across different business cycles and environments will help mitigate risks and losses. Therefore, an effective credit risk assessment is an important component of a comprehensive credit risk assessment technique and is important not only for banking institutions but also for the economy as a whole. Credit risk can be measured by the formula below:
Market risk is a risk that arises from factors that simultaneously affect commodity prices in financial markets. This risk arises due to major economic or political changes such as government monetary policy, interest rate movements, exchange rates, and monetary policy. All of these can produce a market capitalization response that can be seen by the market index. Managerial risk will always exist and will not disappear with diversity. This risk cannot be controlled because it is affected by market risk (Myers in Buana and Haryanto, 2016).

Financial distress can be defined as the inability of the company to pay its financial obligations, which leads the company to bankruptcy (Amalia, 2020). Financial difficulties arise when a company fails or fails to meet its obligations due to a lack of sufficient funds to operate or continue its operations. Measurement of financial distress in this study uses the Z-Score Altman bankruptcy prediction model, with the following equation.

\[ Z = 1.2X1 + 1.4X2 + 3.3X3 + 0.6X4 + 0.999X5 \]

Information:
- \( X1 \) = Working capital/total asset
- \( X2 \) = Retained earnings/total asset
- \( X3 \) = EBIT/total assets
- \( X4 \) = Market value of equity/book value of total debt
- \( X5 \) = Sales/total assets

Inflation in general can be defined as the process of increasing prices continuously or deflation is the process of decreasing the value of a currency continuously. Inflation is a process of events, not a high or low price level. One of the indicators that determine the value of inflation is the consumer price index (Adiyadnya, 2016).

The exchange rate is the value of one country’s currency against that country’s currency or against another country’s currency (Buana and Haryanto, 2016). The exchange rate is the number of units or units of a particular currency required to buy one unit or unit of another type of currency. In other words, the exchange rate is the value of one currency against another currency (Adiyadnya, 2016).

Return on investment is often expressed as an annual percentage rate. Return on stocks is the rate of return investors can earn on investments in the capital market. Return on capital can be used as an indicator of trading activity in the capital market (Abdullah et al., 2018). Stock returns can vary as they depend on stock price movements, which in turn depend on several factors. These factors can be internal or external (Akwe & Garba, 2019). The formula for calculating the rate of return (total return) is capital gain (loss). Capital gain (loss) is the difference in profit/loss experienced by shareholders because the share price is relatively higher or lower than the previous period’s share price. The equation used to find the actual return is as follows:
Audit quality is defined as the probability of detecting and reporting violations in the client's financial reporting system. The probability that the auditor finds misstatements depends on the quality of the auditor's skills, while the number of reported misstatements depends on the independence of the auditor (DeAngelo in Pham et al., 2020). Audit quality enhances the credibility of financial statements to users of accounting information because it helps management confirm the company's activities and operation and reduces the level of risk for users of the information (Coffie et al., 2018). This audit quality measurement is consistent with previous research (Alfonso et al., 2018; Chi & Su, 2014) which used a dummy variable, where 1 is given to companies that use auditors from KAP Big 4 and 0 is given to companies that use auditors from KAP Non-Big 4.

\[
Return = \frac{P_t - P(t-1)}{P(t-1)} \quad (3)
\]

The hypotheses proposed in the study include:

H1 : Capital adequacy ratio has a significant effect on stock return
H2 : Credit risk has a significant effect on stock return
H3 : Market risk has a significant effect on stock return
H4 : Financial distress has a significant effect on stock return
H5 : Inflation has a significant effect on stock return
H6 : Exchange rate has a significant effect on stock return
H7 : Audit quality has a significant effect on stock return
H8 : Audit quality affects the relationship between capital adequacy ratio and stock return
H9 : Audit quality affects the relationship between credit risk and stock return
H10 : Audit quality affects the relationship between market risk and stock return
H11 : Audit quality affects the relationship of financial distress to stock return
H12 : Audit quality affects the relationship between inflation and stock return
H13 : Audit quality affects the relationship between exchange rates and stock return

Figure 1
Research Framework
Research Methods

The research uses a quantitative approach through the associative method, which is a type of research that suggests relationships between variables. This study consists of six independent variables (independent), one dependent variable (dependent), and one moderating variable (moderating). In this study, the independent variables are capital adequacy ratio (CAR), credit risk (CR), market risk (MR), financial distress (FID), inflation, and exchange rate, the dependent variable in this study is stock return, and the moderating variable is audit quality. The population of this study is banking companies listed on the Indonesia Stock Exchange from 2015 to 2020, which are 43 companies. Data is collected through purposive sampling. The second data type includes survey data in the form of financial reports and book bank annual reports 3 and book 4 of the implementation of Basel during the 2015-2020 period. Data obtained from the Indonesia Stock Exchange website. The data analysis method used in this study is panel data regression using the Eviews 10 program.

Results And Analysis

Before performing panel data regression analysis, the classical assumption test is carried out first to ensure that the parameter values for testing are valid. Classical assumption tests that must be met to test this analysis include normality, multicollinearity, heteroscedasticity, and autocorrelation tests (Ghozali, 2018). The following is a classic assumption test in research.

Normality test

Normality was tested by Jarque-Bera (JB) using Evus software. Data are said to be non-normal if the probability value (p-value) is less than 5% of significance. On the other hand, the data is said to be normal if the probability value (p-value) is greater than 5% of significance. Typical test results are shown in the figure below:

The Jarque-Bera value obtained is 0.495122 with a probability of 0.780703 which is greater than the significance of 0.05, so it can be concluded that the data in the research model are normally distributed.

Multicollinearity Test
To test multicollinearity, correlation analysis was performed between independent variables and the calculation of the variance inflation factor (VIF) value. The emergence of multicollinearity If the VIF value is greater than 10, it can be said that the independent variable in research is reliable and objective (Ghozali, 2018). The results of the multicollinearity test in this study can be seen in the table below:

### Table 1
**Multicollinearity Test Results**

| Variable | VIF     | Description               |
|----------|---------|---------------------------|
| CAR      | 4.630561| Multicollinearity does not occur |
| CR       | 7.973497| Multicollinearity does not occur |
| MR       | 8.320430| Multicollinearity does not occur |
| FID      | 1.210104| Multicollinearity does not occur |
| INFLASI  | 2.381718| Multicollinearity does not occur |
| KURS     | 1.830994| Multicollinearity does not occur |

Source: Results of Data Processing with Eviews 10 (2022)

The value of VIF on the variables of capital adequacy ratio (CAR), financial distress (FID), inflation, exchange rate credit risk (CR) and market risk (MR) is greater than 10. Thus, all these variables do not occur multicollinearity.

### Autocorrelation Test

One of the tests used to detect autocorrelation is the Bruce Godfrey test or the so-called Lagrange multiplier. If the probability value is $> 5\%$, it means that there is no autocorrelation. On the other hand, the probability value $< 5\%$ means there is autocorrelation. The results of the exploratory autocorrelation test are presented below:

### Table 2
**Autocorrelation Test Results**

| Breusch-Godfrey Serial Correlation LM Test |  |
|-------------------------------------------|---|
| F-statistic                               | 2.824390 | Prob. F(2,50) | 0.0674 |
| Obs*R-squared                             | 6.553234 | Prob. Chi-Square(2) | 0.0378 |

Source: Results of Data Processing with Eviews 10 (2022)

The probability value of Obs*R-squared is 0.0378 which is smaller than 0.05. So it was concluded that the data on the model in the research variables had autocorrelation.

### Panel Data Regression Model

#### Chow Test

The test is performed using the F or Chi-square statistical test with the assumption that:

- Ho: The model follows the common effect model
- H1: The model follows the fixed effect model
- Alpha: 5%

Provisions: Reject Ho if the value of both the F test and Chi-square < alpha.
The following are the results obtained from the chow-test conducted using the EViews 10 software:

### Table 3
**Chow Test Results**

| Preditors                      | Alpha | Cross-section Chi-square (Prob.) | Model Estimation |
|-------------------------------|-------|--------------------------------|------------------|
| Redundant Fixed Effects Tests | > 0.05| 0.1227                          | Common Effect Model |

Source: Results of Data Processing with Eviews 10 (2022)

Based on the results, the probability value of the F and chi-square tests is 0.1227 > 0.05. Thus, Ho is accepted and H1 is rejected. That is, the estimation model approach follows the common effects model. And it is said that the common effect model is better than the fixed effect model.

### Hausman Test

The hypothesis in the Hausman test is as follow:

Ho: The model follows the Random Effect Model
H1: The model follows the Fixed Effect Model
Alpha = 5%

Conditions: Reject Ho if the p-value < alpha.

The following are the results obtained from the Hausman test conducted using the EViews 10 software:

### Table 4
**Hausman Test Results**

| Preditors                      | Alpha | Cross-section Random (Prob.) | Model Estimation |
|-------------------------------|-------|------------------------------|------------------|
| Correlated Random Effects - Hausman Test | > 0.05 | 1.0000                        | Random Effect Model |

Source: Results of Data Processing with Eviews 10 (2022)

The probability value obtained in the random cross-sectional test is 1.0000, which means that it is above the 95% confidence level (significance level) (α = 5%). Thus, it was decided that Ho is accepted and H1 be rejected. This means that the model follows the random effects model. Or it can be concluded that the random effect method is better than the fixed effect method.

### Lagrange Multiplier Test

This test is used to determine the model between the Pooled Least Square (PLS) and Random Effect Model (REM) approaches. The null hypothesis of the LM test is as follows:

Ho: Common Effect Model (PLS)
H1: Random Effect Model (REM)
Alpha: 5%

Conditions: Reject Ho if Prob. Chi-Square < alpha 0.05.
The following are the results obtained from the Lagrange multiplier test carried out using the EViews 10 software:

| Preditors | Alpha | Prob. Chi-Square(2) | Model Estimation |
|-----------|-------|---------------------|------------------|
| Breusch-Godfrey Serial Correlation LM Test | < 0.05 | 0.0378 | Random Effect Model |

Source: Results of Data Processing with Eviews 10 (2022)

From the results of the LM test, the prob. obtained Chi-square 0.0378 is greater than 0.05 (alpha). This means Ho is rejected and H1 is accepted, the estimation model method follows the random effects model. It is concluded that the random effects model is better than the common effects model.

Best Model Selection Recommendation

| Test Name | Description | Results |
|-----------|-------------|---------|
| Uji Chow  | CEM Vs FEM  | Common Effect model |
| Uji Hausman | REM Vs FEM  | Random Effect Model |
| Uji Langrage Multiplier | PLS Vs REM | Random Effect model |

Source: Results of Data Processing with Eviews 10 (2022)

The results of the panel data regression model selection in the table above show different results. The results of the chow-test show that the best model is the common effect model compared to the fixed effect model. Furthermore, the results of the Hausman test show that the best model is the random effect model which is better than the fixed effect model, and based on the Lagrange multiplier test, shows that the random effect model is better than the common effect model. Furthermore, based on the Hausman test and the Langrage multiplier, it can be decided that the best test model for the regression equation is to use the random effect model.

Multiple Linear Regression Test

The results of the classical assumption test found that there was a violation of the classical assumptions from the multicollinearity, heteroscedasticity, and autocorrelation tests. Then the regression test uses the Eviews application and uses the HAC Newey-West Test method. This method is one of the countermeasures when there is heterogeneity of data or data variants that are not homogeneous. The results of multiple regression testing with the HAC Newey-West Test in this study can be seen in the following table:

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|----------|-------------|------------|-------------|-------|

Table 7

HAC Test Results
Referring to the results of the regression output using the HAC Newey-West Test method, the regression equation model is made as follows:

\[ \text{SR} = -433.6873 + 855.5834\text{CAR} + 1585.503\text{CR} - 260.5347\text{MR} - 340.0155\text{FID} + 30.88596\text{INFLASI} + 0.020709\text{KURS} + 550.2950\text{KAP} - 743.2980\text{CAR*KAP} - 1991.437\text{CR*KAP} + 1238.512\text{MR*KAP} + 310.4882\text{FID*KAP} - 24.09273\text{INFLASI*KAP} - 0.030429\text{KURS*KAP} + \varepsilon \]

**Hypothesis testing**

Hypothesis testing is a testing procedure that produces a decision, where a decision to accept or reject a research hypothesis. Hypothesis testing in this study utilizes partial hypothesis testing (t test) and coefficient of determination (R²).

**T-test (Partial Hypothesis Testing)**

Statistical t-test is useful to determine the effect of independent variables in explaining the changing dependent variable (Ghozali, 2013). The basis for accepting and rejecting the hypothesis by paying attention to the value of sig. from p-value.

- If p-value (significance) > 0.05 then the research hypothesis is rejected
- If p-value (significance) < 0.05 then the research hypothesis is accepted

From the results of the t-test hypothesis test, it can be concluded that:

1. **The Effect of capital adequacy ratio on stock return**
   
   The beta coefficient value for the capital adequacy ratio variable is 855.5834 with a positive relationship direction, p-value is 0.2326 > 0.05. Thus it can be concluded that the capital adequacy ratio has no effect on stock returns.

2. **The effect of credit risk on stock returns**
   
   The value of beta coefficient for credit risk variable is 1585,503, a positive correlation direction, p-value 0.0217 < 0.05. Therefore, it can be concluded that credit risk has a significant effect on stock returns.

3. **The Effect of market risk on stock return**
   
   The beta coefficient value for the market risk variable is 260.5347, a negative correlation direction, p-value 0.8140 > 0.05. Therefore, it can be concluded that market risk has no effect on stock return.
4. The effect of financial distress on stock returns
   The beta coefficient value for the financial distress variable is 340.0155, with a negative correlation direction, p-value 0.2619 > 0.05. So it can be concluded that financial distress has no effect on stock return.

5. The effect of inflation on stock returns
   The value of the beta coefficient for the inflation variable is 30.88596, a positive correlation direction, p-value 0.3654 > 0.05. Therefore, it can be concluded that inflation has no effect on stock return.

6. The Effect of exchange rate on stock return
   The beta coefficient value for exchange rate variable is 0.020709, with a positive correlation direction, p-value is 0.3614 > 0.05. Therefore, it can be concluded that the exchange rate has no effect on stock return.

7. The Effect of audit quality on stock return
   The beta coefficient value for the audit quality variable is 743.2980, with a negative correlation direction, the p-value is 0.2359 > 0.05. Thus, it can be concluded that audit quality has no effect on stock return.

8. Audit quality affects the relationship between capital adequacy ratio and stock return
   The beta coefficient value is 743.2980 with a negative correlation direction, the p-value is 0.2949 > 0.05. Thus, it can be concluded that the quality of the audit is not able to influence the relationship between the capital adequacy index and the stock return.

9. Audit quality affects the relationship between credit risk and stock return
   The value of the beta coefficient with a negative correlation direction is 1991.437, p-value 0.0230 < 0.05. Thus, it can be concluded that audit quality is able to influence the relationship between credit risk and stock return.

10. Audit quality affects the relationship between market risk and stock return
    The beta coefficient value is 1238.512 with a positive correlation direction, the p-value is 0.2968 > 0.05. Thus, it can be concluded that audit quality is not able to influence the relationship between market risk and stock return.

11. Audit quality affects the relationship between financial distress and stock returns
    The beta coefficient value is 310.4882 with a positive correlation direction, the p-value is 0.3082 > 0.05. Thus, it can be concluded that the quality of the audit is not able to influence the relationship between financial difficulties and stock return.

12. Audit quality affects the relationship between inflation and stock returns
    The beta coefficient value is 24.09273 with a negative correlation direction, the p-value is 0.5094 > 0.05. Thus, it can be concluded that the quality of the audit is not able to influence the relationship between inflation and stock return.

13. Audit quality affects the relationship between exchange rates and stock returns
    The beta coefficient value is 0.030429 with a negative correlation direction, the p-value is 0.2557 > 0.05. Therefore, it can be concluded that audit quality is not able to influence the relationship between exchange rate and stock return.

**Coefficient of Determination Test**
The coefficient of determination (R2) indicates the percentage of the overall variation in the dependent variable that is explained together. R2 indicates the measure of goodness of fit, that is how well the regression line fits the data. With the criteria, if the value of R2 is closer to 1, the better the regression. The results of the coefficient of determination are presented as follows:

| Table 9 | Coefficient of Determination Test Results (R2) |
|---------|-----------------------------------------------|
| R-Squared | 0.1702 (17.02%) |

Source: Results of Data Processing with Eviews 10 (2022)

Table 9 describes the results of the coefficient of determination test of the two models which will be described below.

1. The R-square value is 0.1702, this shows that 17.02% of the variables capital adequacy ratio, credit risk, market risk, financial distress, inflation, exchange rates, and audit quality is influenced by stock return variables while the remaining 82.98% is influenced by other variables outside the study.

**Discussion**

The beta coefficient value for the capital adequacy index variable is 855.5834, with a positive correlation direction, the p-value is 0.2326 > 0.05. Thus, it can be concluded that there is no effect of the capital adequacy index on stock returns. Adequacy for capital has become an important variable for banks, as high capital adequacy implies high flexibility in managing their funds for the benefit of profitable activities (Wibowo and Syaichu in Visita, 2019). The results of this study reveal that a high CAR does not guarantee the bank will get more business, and get all the possibilities in making a profit. So with adequate capital, it is not necessarily able to provide maximum profits for the bank. This condition is one of the factors that CAR does not affect stock returns.

The beta coefficient value for the credit risk variable is 1585.503 with a positive relationship direction, p-value is 0.0217 < 0.05. Thus, it can be concluded that credit risk has a significant effect on stock returns. Credit risk is an internal indicator of bank performance. When a bank is exposed to higher credit risk, the tendency of the bank to experience financial problems is also higher. This result is in agreement with Ekinci (2016) who found a significant effect of credit risk on stock returns. There may be a positive relationship between credit risk and stock returns be due to banks being more daring to take credit risk or being laxer in lending, the greater the potential for bank earnings, thus providing a positive signal for investors to buy the bank's shares, this has an impact on increasing stock returns.

The beta coefficient value for the market risk variable is 260.5347, a negative correlation direction, p-value 0.8140 > 0.05. So it can be concluded that market returns have no effect on stock return. This can happen if investors in Indonesia tend to be risk-averse or do not like high risk. Stock markets tend to be volatile, so most investors buy stocks for short-term gains in the form of capital gains. This result is in line with Buana and Haryanto (2016) who found market risk has no effect on stock returns.
The beta coefficient value for the financial difficulty variable is 340.0155 with negative correlation direction, p-value 0.2619 > 0.05. Therefore, it can be concluded that financial hardship has no effect on stock return. Information about bankruptcy is very important because it will provide benefits for many parties, especially creditors and investors. However, in line with this study, Kewal et al. (2020) found that financial distress had no effect on stock returns. Investors tend to buy stocks that are currently the center of market attention (attention buying behavior), without assessing the stock in depth.

The beta coefficient value for the inflation variable is 30.88596 with a positive correlation direction, p-value is 0.3654 > 0.05. Therefore, it can be concluded that inflation has no significant effect on stock return. This can be triggered by the normal level of inflation. When inflation increases, the price and cost of the product will increase, thereby increasing the profit from the stock (Bobbi, 2017). In accordance with the counter-cyclical stock theory, where stocks are not affected by inflationary conditions (macroeconomics). This result is in line with the findings of Bobbi (2017) in his research that found inflation has no effect on stock returns.

The value of beta coefficient for inflation variable is 30.88596, a positive correlation direction, p-value 0.3654 > 0.05. Therefore, it can be concluded that inflation has no significant effect on stock return. The strengthening of the exchange rate does not become a reference for a developing economy and increased investment activity, so it does not affect investors to buy or sell shares.

The beta coefficient value for the audit quality variable is 743.2980, with a negative correlation direction, the p-value is 0.2359 > 0.05. Therefore, conclude that audit quality does not affect stock returns Auditors are seen as information intermediaries who ensure the reliability of reported financial information (Pham et al., 2020). The results of this study explain that audit quality does not affect the reduction of information asymmetry between managers and shareholders, between control and control and minority shareholders, and between company insiders and outsiders.

The beta coefficient value is 743.2980 with a negative correlation direction, the p-value is 0.2949 > 0.05. Therefore, it can be concluded that the audit quality is not able to influence the relationship of capital adequacy ratio to stock return. Because the capital owned comes from loans and subordination, even though it is mediated by audit quality, it still has no impact on stock returns. Banks are required to balance their ability to pay debts, with a high amount of capital, higher interest costs must be paid.

The beta coefficient value is 1991.437 with a negative relationship direction, the p-value is 0.0230 < 0.05. Thus it can be concluded that audit quality is able to influence the relationship of credit risk to stock returns. The NPL ratio can be a big expense and cause losses for banks in their operations which affect interest rates and can result in losses for banks. Banking stock investors consider credit risk as a valuable factor in making decisions to maximize their investment (Mwaurah et al., 2017).

The beta coefficient value is 1238.512 with a positive correlation direction, the p-value is 0.2968 > 0.05. Therefore, it can be concluded that audit quality is not able to
influence the relationship between market risk and stock return. This means that the high and low levels of market risk are irrelevant information for investors in making investment decisions. This information is only a signal that the market has a certain level of risk so that investors can be careful in investing. This result is in line with research by Rizqiyan and Arfianto (2019) which found that market risk has no effect on stock returns.

The beta coefficient value is 310.4882 with a positive relationship direction, p-value is 0.3082 > 0.05. Thus it can be concluded that the audit quality in this study is not able to influence the relationship between financial distress to stock returns.

The beta coefficient value is 24.09273 with a negative correlation direction, the p-value is 0.5094 > 0.05. Thus, it can be concluded that audit quality is not able to influence the relationship between inflation and stock return. This can be caused by inflation data during the study period tend to be stable so as to result in the acquisition of returns from stock price fluctuations that are also stable, thus abnormal returns are less likely to be obtained.

The beta coefficient value is 0.030429 with a negative correlation direction, the p-value is 0.2557 > 0.05. Thus, it can be concluded that the quality of the audit in this study was not able to influence the relationship between exchange rate and stock return.

**Conclusion**

The results of this study conclude that the capital adequacy ratio, market risk, financial distress, inflation, exchange rates, and audit quality have no effect on stock returns. However, credit risk affects stock returns because it obtains a p-value smaller than 0.05. In this study there is a moderating variable, audit quality is obtained as a moderating variable that does not affect the relationship between capital adequacy ratios, market risk, financial distress, inflation, and exchange rates on stock returns. However, audit quality as a moderating variable is able to influence the relationship between credit risk and stock returns. It is recommended that investors who want to invest in banking stocks should pay more attention to the level of bad loans experienced by banks. Credit risk measures are more important because of their detrimental effect on indicators requiring high assistance. It is also recommended that banks improve the management of NPL credit risk that does not exceed Bank Indonesia regulations, but banks also should not be too rigid in setting credit policy policies so that credit distribution continues to experience positive growth, because the interest from credit income is still the main source of income for banks. Then it is suggested that the variables that are not proven in this study should be used in further studies with proxies or other measurement methods of these variables so that they are expected to reflect the variables used. Lastly, this study has certain limitations. The research is limited to commercial banks and does not examine other financial institutions and the banking industry. The sample of this study uses a short observation period, which is only 6 years so the range of observations is wide.
References

Abdullah, U., Muda, I., & Syahyunan. (2018). The Factors Which Influence Stock Return with Stock Price as Moderating Variable in Automotive Companies Listed in the Indonesia Stock Exchange. *International Journal of Research and Review*, 5(10), 421-436.

Adiyadnya, I. N. Sidhi., Artini, Luh Gede S., & Rahyuda, Henny. (2016). Pengaruh Beberapa Variabel Ekonomi Makro Terhadap Profitabilitas dan Return Saham Pada Industri Perbankan di BEI. *E-Jurnal Ekonomi dan Bisnis Universitas Udayana*, 5(8), 2579-2608.

Africa, L. A. (2016). Financial distress for bankruptcy early warning by the risk analysis on go-public banks in Indonesia. *Journal of Economics, Business & Accountancy Ventura*, 19(2), 259.

Akwe, J. A., & Garba, S. B. (2019). Effects of Internal and External Factors on Stock Returns of Large Size Firms in Nigeria. *Global Journal of Accounting*, 5(1), 44-56.

Amalia, Shendy., Agustriana, Darwis., & Susanti, Neneng. (2020). The Prevention of Financial Distress on Banking Financial Performance in Indonesia. *Budapest International Research and Critics Institute-Journal (BIRCI-Journal)*, 3(4), 3156-3169.

Anisa, Hilda Vina & Suryandari, Dhini. (2021). The Effect of NPL, GCG Self Assessment, ROA, and CAR on Firm Value (Empirical Study on Commercial Banks listed on the Indonesia Stock Exchange). *Accounting and Finance Studies*, Vol. 1(2), 111-124.

Alfonso, E., Christie, A., Hollie, D., & Yu, S. C. (2018). Determinants and economic consequences of cash flow restatements. *Journal of Accounting and Public Policy*, 37(1), 82-97.

Bobbi, A. M. Haryanto. (2017). Analisis Pengaruh Foreign Inflow, Inflasi, Suku Bunga Dan Kurs Pada Return Saham (Studi kasus pada sektor keuangan periode Juli 2016 - Januari 2017). *Diponegoro Journal of Management*, 6(2), 1-11.

Buana, Gresna & Haryanto, Mulyo. (2016). Pengaruh Risiko Pasar, Nilai Tukar, Suku Bunga dan Volume Perdagangan Terhadap Return Saham (Studi kasus pada perusahaan yang terdaftar dalam indeks LQ45). *Diponegoro Journal of Management*, 5(2), 1-14.

Caparino, Olivia., & Simamora, Saur C. (2020). Pengaruh Financial Distress (Altman Z-Score) dan Debt Equity to Ratio Terhadap Return Saham Sub Sektor Perbankan di Bursa Efek Indonesia Tahun 2018. *Jurnal Ilmiah M-Progress*, 10(2).

Chatarine, Alvita., Wiagustini, L. Putu., & Artini, L. G. Sri. (2016). Pengaruh Risiko Kredit Dan Risiko Nilai Tukar Terhadap Profitabilitas Dan Return Saham Perbankan di BEI. *E-Jurnal Ekonomi dan Bisnis Universitas Udayana*, 5(11), 3683-3712.

Coffie, W., Bedi, I., & Amidu, M. (2018). The effects of audit quality on the costs of capital of firms in Ghana. *Journal of Financial Reporting and Accounting*, 16(4), 639–659.

Daruri, A. Deni. (2013). Basel III dan Regulasi Responsif. [https://investor.id/archive/basel-iii-dan-regulasi-responsif](https://investor.id/archive/basel-iii-dan-regulasi-responsif)
Ekinci, Aykut. (2016). The Effect of Credit and Market Risk on Bank Performance: Evidence from Turkey. *International Journal of Economics and Financial Issues, 6*(2), 427-434.

Ghozali, Imam. (2018). *Aplikasi Analisis Multivariante dengan Program IBM SPSS 21 Update PLS Regresi*. Semarang: Badan Penerbit Universitas Diponegoro.

Kewal, S. Suci., Vallentliy., & Anggraini, Silvia. (2020). Pengaruh Financial Distress Terhadap Return Saham (Studi Pada Perusahaan Subsektor Batubara di Bursa Efek Indonesia). *Jurnal Keuangan dan Bisnis*, 65-83.

Mwaurah, Isaac., Muturi, Willy., & Waititu, Anthony. (2017). The Influence of Credit Risk on Stock Returns. *International Journal of Scientific and Research Publications, 7*(5), 575-584.

Pham, Chi B. Thi., Vu, Thu M. Thi., Nguyen, L. Ha., & Nguyen, D. Duc. (2020). Audit Quality and Stock Return Co-Movement: Evidence from Vietnam. *The Journal of Asian Finance, Economics and Business, (7)*,139-147

Rizqiyan, Amaliya & Arfianto, Erman D. (2019). Pengaruh Ambiguity, Market Risk Premium, Market to Book, Size, Dan Momentum Terhadap Return Saham Pada Perusahaan yang Terdaftar dalam Indeks LQ45 Periode 2017-2018. *Diponegoro Journal of Management, 8*(4), 70-79.

Visita, Luksi. (2019). The effect of inflation, profit-loss sharing loan, and capital adequacy towards performance of Indonesian Islamic banks. *Diponegoro International Journal of Business, 2*(2), 57-63.