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ANALYSIS OF THE EFFECT OF CREDIT GROWTH, NPL, CREDIT RESTRUCTURING AND CREDIT WRITE-OFF ON STOCK PRICES WITH PROFITABILITY AS AN INTERVENING VARIABLE

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Abstract

This study aims to analyze the effect of credit growth, non-performing loans (NPLs), credit restructuring, and loan write-offs on stock prices, with profitability as an intervening variable. The companies studied are banking companies listed on the Indonesia Stock Exchange. Credit policy and management are crucial elements in the banking industry, as they serve not only as banks but also as the company's primary source of revenue. This study employed a quantitative approach with multiple linear regression. Data management and analysis were performed using Eviews version 12. The sample consisted of 37 banking companies selected purposively over a three-year observation period (2022-2024), resulting in a total of 111 observations. The analysis showed that credit growth had a positive and significant effect on stock prices, while non-performing loans (NPLs) and loan restructuring had a negative and significant effect on stock prices. While loan write-offs had no effect on stock prices, credit growth had no effect on stock prices. Credit growth has a negative and significant effect on stock prices with profitability as an intervening variable, conversely NPL and credit restructuring have a positive and significant effect on stock prices with profitability as an intervening variable while credit write-offs have no effect on stock prices with profitability as an intervening variable.

Keywords: ***Credit Growth, Non-Performing Loans (NPL), Credit Restructuring, Credit Write-Off, Profitability and Stock Price***

INTRODUCTION

The banking industry plays a central role in maintaining financial system stability and driving national economic growth. Banks' primary function as intermediary institutions makes fundraising and credit distribution the primary foundation of their operations. Credit distribution performance and credit risk management not only impact a bank's business continuity but also serve as important signals for investors in assessing a bank's performance and prospects. Therefore, credit distribution dynamics, asset quality, and credit risk management policies are highly relevant in influencing banking company stock prices. Stock prices reflect the market's response to financial information and management strategies, as reflected in financial statements. According to the Financial Services Authority (2024), Indonesia's banking credit growth reached 10.30% annually, driven primarily by an increase in consumer credit. Meanwhile, the gross non-performing loan (NPL) ratio was successfully suppressed to 2.08% from 2.19% previously, although the net NPL ratio increased slightly to 0.74% (OJK, 2024). A high NPL ratio reflects a decline in asset quality, which can reduce a company's profitability and investment attractiveness (Vebriana et al., 2020). However, the literature also shows mixed results, such as those presented by Andayani (2024) and Purba (2023), who stated that NPLs do not always have a significant impact on stock prices. This inconsistency in findings encourages further study of the relationship between NPLs and stock prices in the context of the Indonesian banking industry. One instrument used by banks to maintain asset quality is credit restructuring, which involves adjusting loan terms to assist borrowers experiencing financial difficulties. Credit restructuring can improve borrowers' cash flow and suppress NPL growth, but it can also create market uncertainty if not accompanied by a recovery in credit quality (OJK, 2019). Keener (2007) and Klingebiel (2020) show that credit restructuring influences investor perceptions and stock prices, depending on the effectiveness of its implementation. This indicates that market responses to credit restructuring are contextual, influenced by

confidence in the borrower's recovery prospects and the bank's risk management. Therefore, a deeper understanding of the role of restructuring in influencing investor perceptions is crucial. The loan write-off policy is also a concern in managing non-performing loans. Write-offs are applied to loans deemed uncollectible, and although they do not eliminate the bank's collection rights, this action is often associated with a decline in asset management quality (Farid, 2021; POJK No. 40 of 2019). Furthermore, loan write-offs can also improve the balance sheet and lower the NPL ratio, potentially improving market perceptions of bank risk management (Muhasan, 2020). However, research by Bartov et al. (1998) shows that write-off announcements are often followed by a decline in stock prices due to negative signals received by investors. Therefore, the effectiveness and transparency of the write-off policy implementation are crucial in maintaining investor confidence.

Profitability is a key indicator in assessing bank efficiency and performance and serves as a mediating variable in the relationship between credit policy and stock prices. Research by Putri (2016) and Novita (2022) shows that Return on Assets (ROA) significantly influences stock prices, reflecting management's ability to generate profits from managed assets. High profitability can strengthen positive signals in the capital market and increase investor interest in maintaining or increasing their investments in banking stocks. Conversely, declining profitability due to high NPLs or ineffective credit restructuring can undermine market confidence. Therefore, profitability is an important variable to analyze as an explanatory mechanism between credit policy and stock prices. Previous research has shown varying relationships between credit growth, non-performing loans (NPLs), credit restructuring, loan write-offs, and stock prices. Several studies suggest that credit growth contributes to increased stock market value through increased interest income and operational efficiency (Hansman et al., 2022; Alwi, 2023). However, the impact of non-performing loan management policies on stock prices is often ambivalent and dependent on intermediary factors such as profitability. Therefore, integrating profitability as an intervening variable in the analysis model can provide a more comprehensive picture of the influence of credit policy on stock prices. This is relevant to addressing the information needs of investors and bank management in formulating effective credit policy strategies.

Considering the importance of credit management, profitability, and investor perceptions of the market value of banking companies, this research is urgent. The study focuses on the influence of credit growth, non-performing loans (NPLs), credit restructuring, and loan write-offs on stock prices, with profitability as an intervening variable. This research not only provides theoretical contributions to the development of financial and banking management science but also provides practical benefits for policymakers, bank management, and investors in facing dynamic economic challenges. In this context, appropriate credit management strategies can be key to increasing banking competitiveness and strengthening market confidence in the national financial sector. Therefore, a deep empirical understanding of the relationships between these variables is essential.

LITERATURE REVIEW

Credit Growth

Credit growth is an important indicator of banking business expansion and the capacity of financial institutions to channel funds to the real sector. Consistently increasing credit is often considered a positive signal for investors because it reflects increasing interest income and the opportunity for higher profitability (Hansman et al., 2022). According to Alwi (2023), credit growth has a positive and significant effect on stock prices because it demonstrates management's confidence in the economic outlook. However, uncontrolled credit growth can also increase the risk of non-performing loans (NPLs), which can actually reduce profitability. Therefore, the effect of credit growth on stock prices is contextual and influenced by the quality of a bank's risk management.

Non-Performing Loan (NPL)

Non-Performing Loans (NPLs) indicate the level of customer failure to meet credit obligations and serve as an indicator of a bank's asset quality. A high NPL ratio indicates weak credit risk management and has the potential to reduce investor confidence and corporate profits due to increased loss provision costs (Vebriana et al., 2020). Research by Purnamasari & Sitorus (2023) and Zakaria et al. (2023) concluded that NPLs have a significant negative effect on stock prices. However, several studies have found inconsistent results, indicating that the impact of NPLs is also influenced by mediating factors such as profitability. Therefore, it is important to examine how NPLs directly and indirectly influence investor perceptions of a bank's market value.

Credit Restructuring

Credit restructuring is a policy implemented to assist debtors experiencing financial difficulties to meet their obligations, through credit structure modifications such as extending the tenor or reducing interest rates. The

Financial Services Authority (OJK) (2019) stated that this policy is effective in reducing the potential for non-performing loans (NPLs) and maintaining the sustainability of banks' productive assets. Keener (2007) and Nguyen & Tran (2021) found that credit restructuring can increase market confidence if implemented appropriately, as it demonstrates a bank's flexibility and managerial ability to maintain asset quality. However, restructuring can also be interpreted as a signal of financial distress if not accompanied by a recovery in the debtor's performance. Therefore, market perception of restructuring depends heavily on the success and transparency of its implementation.

Write Off Credit Book

A write-off is an administrative action to remove bad debts from a bank's balance sheet after all collection efforts have been unsuccessful. While this step can lower the NPL ratio and improve the balance sheet structure, several studies have shown that write-off announcements often generate negative sentiment on stock prices (Bartov et al., 1998). Farid (2021) found that write-offs reduce NPLs but negatively impact profitability. This is because write-offs reflect management's failure to assess risk and can undermine investor perceptions of the bank's prospects. Therefore, while write-offs are beneficial in cleaning up a credit portfolio, their implementation must be accompanied by strict oversight and effective public communication.

Profitability (ROA)

Profitability is a key indicator for measuring a bank's financial performance and indicates how efficiently a bank manages its assets to generate profits. Return on Assets (ROA) is widely used as a proxy for profitability and significantly influences stock prices because it reflects managerial effectiveness (Putri, 2016; Novita, 2022). Companies with a high ROA typically attract more investors because they offer the prospect of a better return on investment. Profitability also acts as a mediating variable, bridging the effects of credit growth, non-performing loans (NPLs), restructuring, and write-offs on stock prices. Therefore, examining the role of profitability as an intervening variable is crucial for understanding the dynamics of the indirect influence of credit policy on stock market performance.

Stock price

Stock prices represent the market's assessment of a company's value and prospects. In the banking context, stock prices are highly sensitive to financial information such as credit growth, non-performing loans (NPLs), and profitability, as this sector operates within a high-risk framework. Signaling theory explains that financial statements provide investors with signals about a company's future performance (Spence, 1973). Empirical research (Darmadji & Fakhruddin, 2012; Siregar & Diana, 2021) shows that a company's fundamental information, including financial ratios and asset management, has a strong relationship with stock prices. Therefore, understanding the influence of internal factors such as credit and profitability on stock prices can help investors make more rational decisions.

METHOD

This study uses a quantitative approach with multiple linear regression analysis to analyze the effect of credit growth, non-performing loans (NPLs), credit restructuring, and write-offs on stock prices, with profitability (ROA) as an intervening variable. The purpose of this design is to statistically test the relationship between variables and examine the direct and indirect effects of the independent variables on the dependent variable through mediation. The population in this study was all banking companies listed on the Indonesia Stock Exchange (IDX). The sampling technique used was purposive sampling, with the selection criteria being banks that consistently published complete financial reports from 2022 to 2024. Based on these criteria, a sample of 37 companies was obtained, resulting in 111 panel data observations (3 years × 37 companies). This study uses secondary data obtained from annual financial reports of banking companies published on the official websites of the Indonesia Stock Exchange (IDX) and each company. The data collected includes information on total loans disbursed, non-performing loan ratios (NPLs), restructured loans, written-off values, profitability (ROA), and year-end stock prices.

RESULTS AND DISCUSSION

Panel Data Regression

Chow Test

Table 1. Chow Test Results

Effects Test	Statistics	df	Prob.
Cross-section F	19.775673	(36.70)	0.0000
Cross-section Chi-square	267.872146	36	0.0000

Hausman test

Table 2. Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. df	Prob.
Random cross-section	21.364676	4	0.0003

Data Quality Testing

Normality Test

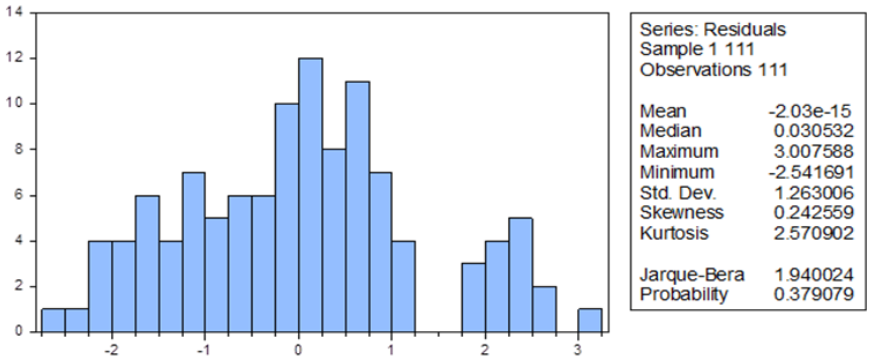

Figure 1 Normality Test

Multicollinearity Test

Table 3. Multicollinearity Test

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	1.297327	86.99113	NA
X1	0.008908	142.2831	1.775474
X2	0.010127	99.73149	1.953253
X3	0.005379	67.30688	1.737489
X4	0.005035	49.85946	1.612535

Heteroscedasticity Test

Table 4. Heteroscedasticity Test

F-statistic	1.682495	Prob. F(15,91)	0.0684
Obs*R-squared	23.23180	Chi-Square Prob.(15)	0.0793
Scaled explained SS	32.42214	Chi-Square Prob.(15)	0.0056

Hypothesis Testing

Partial Test

Table 5. Partial Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1065.024	246.5332	4.320003	0.0000
Credit Growth	2.39E-05	4.48E-06	5.330643	0.0000
NPL	-0.000325	5.62E-05	-5.789300	0.0000

Credit Restructuring	-4.24E-05	8.97E-06	-4.724590	0.0000
Write Off Credit Book	7.90E-05	5.23E-05	1.511296	0.1337

From the partial test results table above, it can be concluded that the t-statistic value of Credit Growth, NPL and Credit Restructuring is greater than 1.96 with the probability value of Credit Growth, NPL and Credit Restructuring less than 0.05, which means that these variables have an effect on Stock Prices, while the t-statistic value of Credit Write-Off is less than 1.96 with the probability of Credit Write-Off is greater than 0.05, which means that the Credit Write-Off variable does not affect Stock Prices. Specifically, the t-statistic value of NPL and Credit Restructuring shows a minus value, which can be interpreted that the influence of NPL and Credit Restructuring is negative on stock prices.

Simultaneous Test

Table 6. Simultaneous Test

R-squared	0.455988	Mean dependent var	418.2048
Adjusted R-squared	0.407512	SD dependent var	763.6555
SE of regression	587.8106	Sum squared residual	34897646
F-statistic	9.406407	Durbin-Watson stat	1.469401
Prob(F-statistic)	**0.000000**		

From the table above, it is known that the F-Statistic value is 9.406 > 1.96 with a probability of 0.00 < 0.05. This shows that the independent variables simultaneously influence the Stock Price.

Coefficient of Determination

Table 7. Determination Coefficient Test

R-squared	0.455988	Mean dependent var	418.2048
Adjusted R-squared	**0.407512**	SD dependent var	763.6555
SE of regression	587.8106	Sum squared residual	34897646
F-statistic	9.406407	Durbin-Watson stat	1.469401
Prob(F-statistic)	0.000000		
R-squared	0.455988	Mean dependent var	418.2048
Adjusted R-squared	**0.407512**	SD dependent var	763.6555
SE of regression	587.8106	Sum squared residual	34897646
F-statistic	9.406407	Durbin-Watson stat	1.469401
Prob(F-statistic)	0.000000		

Mediation Test Results

1) The Effect of Credit Growth on Stock Prices with Profitability as an Intervening Variable

Table 7 Hypothesis Testing

Test	Z-statistic	p-value	Interpretation
Sobel	3,289	0.0010	Significant (p < 0.05)
Aroian	3,254	0.0011	Significant
Goodman	3,326	0.0009	Significant

The test results show that Return on Assets (ROA) significantly mediates the effect of credit growth on stock prices. This is proven through a mediation test, which shows the Sobel statistical value of 3.289, Aroian of 3.254, and Goodman of 3.326 with p-values of 0.0010, 0.0011, and 0.0009, respectively (p < 0.05). This finding indicates that the transmission mechanism of credit growth to stock prices occurs largely through increased bank profitability, which is reflected in ROA. In other words, efficiently managed credit growth can improve bank profitability performance, which ultimately provides a positive signal to investors and increases the market value

of banking stocks. This finding is consistent with signaling theory and financial intermediation theory, which state that profitability is a key indicator in assessing the health and future prospects of a company, especially in the banking sector.

2) The Effect of NPL on Stock Prices with Profitability as an Intervening Variable

Table 8. Hypothesis Testing

Test	Z-statistic	p-value	Information
Sobel	-3,387	0.0007	Significant (p < 0.05)
Aroian	-3,354	0.0008	Significant
Goodman	-3,420	0.0006	Significant

The results of the mediation test using the Sobel, Aroian, and Goodman methods indicate that Return on Assets (ROA) significantly mediates the relationship between Non-Performing Loans (NPLs) and stock prices. All three tests yielded negative and significant statistical values (Sobel Z = -3.387, p = 0.0007; Aroian Z = -3.354, p = 0.0008; Goodman Z = -3.420, p = 0.0006), which means that increasing NPLs negatively affect ROA, and decreasing ROA subsequently negatively impacts stock prices. Thus, ROA acts as an intermediary channel that explains how increasing credit risk (in the form of NPLs) can reduce investor confidence in bank performance, which is reflected in its stock price. This finding supports the view that poor asset quality (high NPLs) suppresses banking profitability, which ultimately lowers stock market value through investor perceptions of bank risk and managerial efficiency.

3) The Effect of Credit Restructuring on Stock Prices with Profitability as an Intervening Variable

Table 9. Hypothesis Testing

Test	Z-statistic	Std. Error	p-value	Information
Sobel	-3,130	0.00024876	0.00174533	Significant (p < 0.05)
Aroian	-3,091	0.00025186	0.00198908	Significant
Goodman	-3,170	0.00024561	0.00152153	Significant

The analysis results show that Return on Assets (ROA) significantly mediates the relationship between credit restructuring and stock prices. The Sobel, Aroian, and Goodman mediation tests all showed statistically significant values (Sobel's Z = -3.130, p = 0.0017; Aroian's Z = -3.091, p = 0.0019; Goodman's Z = -3.170, p = 0.0015), indicating that changes in ROA significantly mediate the effect of credit restructuring on stock prices. The negative path coefficient a indicates that credit restructuring negatively impacts ROA, while ROA has a positive effect on stock prices. This means that the higher the intensity of credit restructuring, the greater the pressure on bank profitability (ROA), which in turn can reduce investor perceptions of bank performance, thus impacting stock prices. This finding is consistent with the literature stating that credit restructuring, if not accompanied by good risk management and asset quality, can create a negative perception in the financial market because it reflects the potential for high credit risk and decreased bank efficiency.

4) The Effect of Write-Offs on Stock Prices with Profitability as an Intervening Variable

Table 10 Hypothesis Test

Test	Z-statistic	p-value	Information
Sobel	1,421	0.1554	Not significant (p > 0.05)
Aroian	1,386	0.1658	Not significant
Goodman	1,458	0.1449	Not significant

The results of the mediation test indicate that Return on Assets (ROA) does not significantly mediate the effect of loan write-offs on stock prices. All three mediation test methods, namely Sobel, Aroian, and Goodman, produced p-values greater than 0.05 (0.1554, 0.1658, and 0.1449, respectively), indicating that the mediating effect of ROA is not statistically significant. Although the direction of the relationship between loan write-offs and ROA shows a positive coefficient, and ROA has a positive effect on stock prices, these results indicate that loan write-offs do not significantly impact changes in ROA, which in turn affects stock prices. Therefore, loan write-offs do not have a significant mediating effect through ROA on stock prices, and the possibility of a direct effect or

through other more relevant variables requires further investigation. These findings support studies stating that the write-off policy, as part of credit risk management, is administrative in nature and does not necessarily reflect the actual performance of profitability or bank market value directly.

Results of Direct, Indirect and Total Influence

Based on the results of testing all research variables, the following are the results of the direct, indirect and total influence on the variables studied.

Table 11 Test of the Role of Intervening Variables

No	Independent Variables	Direct Influence		Indirect Effect (a * × b **)		Total Influence (c' +(a × b))
		(c)	(P)	(c)	(P)	
1	Credit Growth	0.0000239	0.0000	-0.029551248	0.001	-0.0295
2	Non-Performing Loan (NPL)	-0.000325	0.0000	0.011129929	0.001	0.0108
3	Credit Restructuring	-0.0000424	0.0000	0.012323734	0.002	0.0123
4	Write Off Credit Book	0.000079	0.1337	0.041066868	0.155	0.0411

Information :
P Value < 0.05 means it has a significant effect
* coefficient of influence of the intervening variable on the dependent variable
** coefficient of influence of independent variables on intervening variables
The explanation of the table above is as follows:

1) Credit growth doesn't directly impact stock prices, but through ROA, it actually has a significant negative impact. This suggests that even if credit growth doesn't increase profitability (ROA), it can actually send a negative signal to investors.
2) Non-performing loans (NPLs) negatively impact stock prices. However, indirectly, through ROA, NPLs exhibit a significant positive effect on stock prices. This could mean that in the short term, NPL management efforts can improve profitability (ROA), ultimately positively impacting stock prices.
3) Credit restructuring doesn't have a significant direct impact on stock prices, but through increased ROA, it has a significant positive effect. This suggests that credit restructuring can be an effective strategy for improving profitability, which is beneficial to investors.
4) Loan write-offs have a positive direct and indirect effect on stock prices, but the indirect effect through ROA is not statistically significant. This means that loan write-offs do not play a significant role in influencing stock prices through the profitability (ROA) channel.

DISCUSSION

The Impact of Credit Growth on Stock Prices

Based on the research results, it can be concluded that bank credit growth affects stock prices. In other words, market participants consider information on bank credit distribution movements when making investment decisions. Further analysis of the research results reveals a positive effect of credit growth on stock prices. This reinforces the widespread perception that credit growth provides optimism and a positive outlook for a company's sustainability and growth. Therefore, the decision to increase or expand credit distribution is a good decision for companies because it can create a positive impression on market participants regarding the company's performance. These research findings align with research by Hansman, Hong, Jiang, Liu, and Meng (2022); and

Alwi (2023), which suggests that credit expansion has a substantial positive impact on stock price increases. The study also confirmed that when stock demand weakens, credit expansion tends to increase equity prices, suggesting that credit growth can trigger increased stock demand. Therefore, the researchers emphasize the importance of regulators having a deep understanding of credit elasticity to anticipate the impact of credit liberalization on stock market volatility and surges. Sepang et al. (2015) stated that healthy credit growth can strengthen a bank's financial performance and attract investors. Good credit growth indicates confidence in sustainable economic activity and effective business strategies within the banking sector. The realization of strong credit growth will trigger positive sentiment for investors, particularly in ensuring the company's potential for profit growth. News of high credit growth can also create positive sentiment, supporting increases in bank stock prices (Lanjar Nafi, 2024).

The Impact of NPL on Stock Prices

Based on the results of the research, it was concluded that the disclosure of Non-Performing Loan (NPL) information by banking companies influences the business decisions of market participants. Furthermore, the study concluded that this influence is more negative on stock prices. Therefore, credit management by companies is a matter of concern and is crucial for maintaining good credit performance. These research results also align with research by Purnamasari and Sitorus (2023), which concluded that NPLs have a significant negative impact on stock price movements. Similar findings were obtained by Zakaria et al. (2023), who confirmed that increasing NPLs negatively impact stock prices. Furthermore, Rizkia (2023) emphasized that NPLs contribute negatively to stock value in the banking sector. In general, researchers agree that the market responds negatively to improvements or deterioration in credit quality, as reflected in NPLs. Therefore, effective NPL management is crucial for maintaining financial stability and minimizing the negative impact on investor perceptions and bank stock valuations. In terms of records, negative perceptions of NPLs arise because they can create a company's loss allowance (CKPN), which can impact profitability and even disrupt the bank's financial stability (Ahmad Zaki, 2023). Furthermore, investors will view rising NPLs as a warning sign. They worry that the bank will experience greater losses in the future, which could impact financial performance and stock value. Therefore, maintaining the bank's stock portfolio is considered inappropriate.

The Impact of Credit Restructuring on Stock Prices

Based on the test results, it was found that the company's credit restructuring negatively impacted its stock price. This impact could be interpreted as meaning the company's credit relaxation policy negatively impacted market participants. This suggests that market participants are unsure whether the company's credit restructuring will improve customer loan performance, but rather demonstrates the company's inability to analyze and provide sound credit. This research aligns with findings by Sari & Putra (2021); Hartono (2019); Keener (2007); Rahman et al. (2022); Lee & Park (2020); and Mbogo (2014), who concluded that corporate restructuring significantly impacts stock price changes. To improve unfavorable financial conditions, companies often undertake various restructuring measures, including adjusting operational costs and restructuring credit, particularly in financial institutions (Smith & Johnson, 2021). Signaling theory explains that credit restructuring signals banks experiencing liquidity pressure or a crisis of confidence in debtors. Therefore, credit restructuring policies must be implemented carefully, including the need to provide accurate information, given that credit restructuring policies essentially provide customers with the opportunity to improve their credit performance in accordance with the company's conditions.

The Impact of Credit Write-Offs on Stock Prices

The research concluded that loan write-offs had no impact on stock prices. This suggests that market participants did not consider the write-off information provided by the company when deciding on their investment policies. Based on signaling theory, this suggests that if the write-offs were carried out in a planned and open manner, investors would perceive the bank's management as transparent and accountable, thus not disrupting their perception of the bank's stock prospects. Another theory supporting this is the Efficient Market Theory, where stock prices reflect all available information, including information related to loan write-offs. If the write-offs were anticipated by the market, they would not cause significant changes in stock prices. The market would only respond to new information that is unexpected or surprising. This research contradicts Eli Bartov et al.'s (1998) study, "Stock Price Behavior Around Announcements of Write-Offs," which revealed that write-off announcements negatively impact stock prices, even before the announcement. This consideration is primarily due to the credit condition, which has already generated 100% of the impairment loss expense (CKPN), so a write-off would not impact the company's financial performance. This aligns with research conducted by Saliha (2020), which

concluded that credit loss write-offs have no direct impact on stock prices. Banks' credit write-off policies do not necessarily lower stock prices if implemented transparently and accompanied by effective risk management.

The Effect of Credit Growth on Stock Prices with Profitability as an Intervening Variable

Based on the test results, it was found that credit growth mediated by profitability, specifically ROA, has an impact on stock prices. This indicates that inefficiently managed credit growth cannot improve bank profitability, ultimately sending a negative signal to investors and potentially lowering the market value of bank shares. This finding is consistent with signaling theory and financial intermediation theory, which state that profitability is a key indicator in assessing a company's health and future prospects, particularly in the banking sector. Credit growth should have a positive impact on increasing credit interest income and potentially reducing the Non-Performing Loan (NPL) ratio, thus positively impacting the company's overall financial performance. A study by Lestari (2025) suggests that credit disbursement significantly increases bank profitability. Similar findings were also reported by Lestari (2019), who found a positive relationship between credit disbursement and corporate profitability. Furthermore, a recent study by Prasetyo and Rahman (2022) confirms that optimizing credit growth accompanied by effective risk management can improve bank financial performance and increase investor confidence.

The Effect of NPL on Stock Prices with Profitability as an Intervening Variable

Based on the test results, it is known that NPL, mediated by profitability, in this case ROA, has an effect on stock prices. The test explains that increasing NPL has a positive effect on ROA, and improved ROA then has a positive impact on stock prices. Thus, ROA acts as an intermediary channel that explains how credit risk management (in the form of NPL) can improve investor confidence in bank performance, which is reflected in its stock price. This finding supports the view that good asset quality (low NPL) can improve bank profitability, which ultimately increases stock market value through investor perceptions of risk and bank managerial efficiency. Therefore, credit management is a company's concern to minimize shifts in credit quality due to a lack of accuracy of bank officers in conducting credit analysis.

The Effect of Credit Restructuring on Stock Prices with Profitability as an Intervening Variable

Based on the research results, it was concluded that credit restructuring has a positive effect on stock prices, mediated by company profitability (ROA). This means that the higher the intensity of credit restructuring, the greater the pressure on bank profitability (ROA), which in turn can improve investor perceptions of bank performance, thus impacting stock prices. This means that credit restructuring has a positive impact on company profitability growth, which ultimately also impacts stock prices. Therefore, restructuring policies must always be implemented carefully and in compliance with applicable regulations.

The Effect of Write-Offs on Stock Prices with Profitability as an Intervening Variable

Based on the results of the research test, it was concluded that the loan write-off policy had no effect on stock prices, mediated by company profitability (ROA). This is also consistent with the results of previous tests that concluded there was no effect of loan write-offs on stock prices. The market or investors tend not to react drastically to write-off information because the recognition of losses generally goes through an adequate provisioning process in accordance with the principle of prudence. Therefore, when a write-off is carried out, the impact on net income or ROA is often insignificant because the loss has been anticipated in previous financial statements. Based on signaling theory, this indicates that if the write-off action is carried out in a planned and open manner, investors will perceive the bank's management as being transparent and accountable, thus not disrupting their perception of the bank's stock prospects. Another theory supporting this is the Efficient Market Theory, where stock prices reflect all available information, including information related to loan write-offs. If the write-off is anticipated by the market, it will not cause significant changes in stock prices. The market will only respond to new information that is unexpected or surprising. This is in line with research conducted by Eli Bartov and colleagues (1998) who found that there were several companies that carried out write-offs due to poor company performance and experienced a decline before the write-off was carried out, so that the market had adjusted the share price before the announcement of the write-off carried out by the company.

CONCLUSION

Based on the research results and discussions, credit policies are generally a concern for market players in making business decisions, with the following conclusions:

1. Credit growth has a positive and significant effect on stock prices.

2. NPL has a negative and significant effect on stock prices.
3. Credit Restructuring has a negative and significant effect on Stock Prices.
4. Credit Write-Off has no effect on Stock Price.
5. Credit growth has a negative and significant effect on stock prices with profitability as an intervening variable.
6. NPL has a positive and significant effect on stock prices with profitability as an intervening variable.
7. Credit Restructuring has a positive and significant effect on Stock Prices with profitability as an intervening variable
8. Credit Write-Offs have no effect on Stock Prices with profitability as an intervening variable

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