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The Influence Of Macroeconomic Stability On Financial Performance, Credit Risk, And The Resilience Of The Indonesian Banking Sector

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Abstract

This study aims to analyze the influence of macroeconomic stability on financial performance, credit risk, and the resilience of the banking sector in Indonesia. The macroeconomic variables examined include inflation, economic growth, interest rates, and exchange rates. Financial performance is proxied by Return on Assets (ROA), credit risk by Non-Performing Loans (NPL), and banking resilience by the Capital Adequacy Ratio (CAR). This research employs a quantitative approach using multiple linear regression analysis processed with SPSS software. The results indicate that macroeconomic variables simultaneously have a significant effect on ROA and CAR, but do not significantly affect NPL. Partially, economic growth has a positive and significant effect on ROA, while the exchange rate has a positive and significant effect on CAR. Meanwhile, inflation and interest rates do not show a significant influence on ROA, NPL, or CAR. These findings suggest that macroeconomic conditions play an important role in shaping the performance and resilience of the banking sector in Indonesia.

Keywords: Macroeconomic Stability, ROA, NPL, CAR, Banking Sector.

INTRODUCTION

The banking sector occupies a highly strategic position within a country's financial system because it functions as an institution that connects various economic activities within society. In the context of a modern economy, banks serve not only as repositories for funds but also as institutions that manage financial flows, enabling production, consumption, and investment activities to operate more efficiently (Kusumah et al., 2026). The stability and soundness of the banking sector are critical determinants of the sustainability of the national financial system, as

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disruptions within this sector may generate systemic impacts on other economic sectors (Sundari et al., 2025). Consequently, the presence of a strong and stable banking system constitutes an essential prerequisite for maintaining public trust and ensuring that financial market mechanisms function effectively.

The banking sector contributes directly to national economic growth by providing financing access for various business sectors. Credit extended by banks enables business actors to expand production, increase operational capacity, and generate new employment opportunities (Aini, 2024). In addition, banks play a significant role in supporting infrastructure development and advancing strategic sectors that serve as key drivers of economic growth. The performance of the banking sector not only reflects the financial health of banking institutions but also serves as an important indicator of a country's economic growth dynamics.

One of the primary functions of banking institutions is to act as financial intermediaries that connect surplus units with deficit units requiring funds for productive activities. Through the mobilization of public funds in the form of deposits such as savings accounts, demand deposits, and time deposits, banks accumulate financial resources that can subsequently be redistributed to economic sectors in need of financing (Wijayanti et al., 2025). This intermediation process allows previously idle funds to be utilized in supporting value-generating economic activities. Therefore, the intermediation function of banking institutions plays a crucial role in promoting efficient resource allocation within the economy.

On the other hand, the capacity of banks to channel funds to the public in the form of credit also has broad implications for economic development. Credit distribution supports large-scale business activities while simultaneously providing access to financing for small and medium enterprises (SMEs), which often face capital constraints (Aisyah & Maulida, 2024). Through this function, banks play an important role in expanding financial inclusion and fostering more equitable economic growth. Therefore, the effectiveness of the banking intermediation function largely depends on public trust in the banking system as well as banks' ability to manage risks in a prudent manner.

The performance of the banking sector cannot be separated from the dynamics of macroeconomic conditions within a country. Macroeconomic variables such as economic growth, inflation rates, interest rates, and exchange rate stability significantly influence banking operations (Margama & Prabowo, 2025). When the economy is in an expansionary phase, the demand for credit tends to increase alongside rising investment and consumption activities. Such conditions generally have a positive impact on bank profitability due to the higher volume of credit

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disbursement and improved repayment capacity among borrowers.

Conversely, when the economy experiences pressure or instability, the banking sector often becomes one of the most affected sectors. Economic slowdown can reduce borrowers' ability to meet their credit repayment obligations, thereby increasing the potential risk of non-performing loans (Ighni & Komariyah, 2025). Furthermore, fluctuations in inflation and changes in interest rate policies may influence banks' cost of funds and profit margins. In such circumstances, the ability of banks to manage risk effectively becomes crucial to maintaining financial performance stability and sustaining the overall resilience of the banking sector.

The banking sector does not operate within an isolated economic environment; rather, it is strongly influenced by the macroeconomic conditions that evolve within a country. Variables such as inflation, economic growth, interest rates, and exchange rates constitute key indicators that reflect overall economic stability while simultaneously shaping the dynamics of banking activities. Inflation, for instance, affects the purchasing power of households as well as the operational costs of financial institutions, whereas economic growth reflects the level of production and consumption activities that generate demand for credit. Under conditions of stable economic growth and controlled inflation, the banking sector tends to experience increased intermediation activities because households and businesses have greater confidence to undertake investment and consumption financed through credit (Setiawan, 2025).

In addition, interest rates and exchange rates play an important role in determining the performance of the banking sector. Interest rates serve as a primary instrument of monetary policy that directly influences the cost of funds as well as the returns generated from loans extended by banks. When interest rates rise, borrowing costs for debtors also increase, which may reduce credit demand. Meanwhile, exchange rates have implications for financial stability, particularly for banks with exposure to international transactions or foreign currency–denominated financing. Exchange rate fluctuations may increase market risk and affect borrowers' ability to meet their repayment obligations (Azizah et al., 2025). Therefore, the stability of these macroeconomic variables becomes a crucial factor in ensuring the sustainability and soundness of the banking sector.

Macroeconomic instability can exert significant pressure on the performance of the banking sector, particularly in terms of profitability. When the economy experiences slowdown or uncertainty, business activities and household consumption tend to decline, which in turn reduces demand for credit and other financial services. This situation directly affects banks' ability to generate profits, as a substantial portion of bank income is derived from lending activities.

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Furthermore, rising inflation or volatile interest rate movements can increase operational costs and reduce the efficiency of bank asset management. Ultimately, these conditions may put downward pressure on profitability ratios such as Return on Assets (ROA) and Return on Equity (ROE), which are commonly used as key indicators of banks' financial performance.

On the other hand, macroeconomic instability also affects the quality of credit distributed by the banking sector. When economic conditions deteriorate, borrowers' ability to meet their loan repayment obligations tends to decline, thereby increasing the risk of non-performing loans (NPLs) (Lilla, 2025). An increase in the NPL ratio not only affects the financial health of individual banks but also has the potential to create systemic risks within the overall financial system. If such conditions occur across multiple banking institutions, the stability of the national financial system may be disrupted. Therefore, maintaining macroeconomic stability becomes an essential prerequisite for establishing a sound, resilient banking system capable of performing its intermediation function in a sustainable manner.

The development of the banking sector in Indonesia is influenced by both domestic economic conditions and the increasingly integrated dynamics of the global economy. Financial market globalization has resulted in economic policy changes in major economies, such as the United States and other developed countries, having direct implications for national economic stability. Global interest rate policies, for instance, often influence international capital flows entering or leaving developing countries, including Indonesia. When global monetary tightening occurs, investors tend to withdraw their investments from developing economies, which may create pressure on exchange rates and domestic financial market stability. Ultimately, such conditions may affect the performance of the banking sector, which relies heavily on the stability of the national financial system.

In addition to global factors, domestic economic dynamics also play a crucial role in determining the condition of Indonesia's banking sector. Changes in fiscal policy, monetary policy, as well as developments in the real sector such as industry, trade, and household consumption can influence credit demand and the quality of banking assets (Malau & Hayati, 2026; Ramdani et al., 2025). When the domestic economy grows steadily, businesses tend to expand their production activities, thereby increasing their demand for financing from banking institutions. Conversely, during periods of economic slowdown or policy uncertainty, businesses tend to postpone expansion, resulting in a decline in credit demand. Therefore, the banking sector must possess strong adaptive capacity to respond to changes in the economic environment, both those arising from global dynamics and domestic economic developments.

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Based on the aforementioned background, this study aims to empirically analyze the relationship between macroeconomic stability and the dynamics of banking sector performance in Indonesia. Specifically, the study focuses on examining the influence of macroeconomic stability on banking financial performance as a key indicator of efficiency and banks' ability to generate profits. In addition, the study investigates how macroeconomic conditions affect credit risk levels reflected in the quality of loans extended by banks. Furthermore, this research seeks to analyze the extent to which macroeconomic stability contributes to the resilience of the banking sector in responding to various economic pressures. Ultimately, this study also aims to identify the broader relationship between financial performance, credit risk, and banking sector stability as part of the financial system that plays a crucial role in sustaining national economic growth.

RESEARCH METHOD

This study employs a quantitative approach aimed at systematically analyzing the relationships among research variables through statistical data processing. The quantitative approach is selected because it provides a strong empirical basis for examining causal relationships between macroeconomic stability variables and indicators of banking sector performance. In economic and financial research, this approach enables researchers to objectively measure the effects of macroeconomic variables using numerical data that can be analyzed statistically. Methodologically, this study falls within the category of explanatory research, which focuses on explaining causal relationships between independent and dependent variables. Through this approach, the research seeks to empirically examine how macroeconomic stability influences banking financial performance, credit risk levels, and the resilience of the banking sector in Indonesia. The data analysis process is conducted using the Statistical Package for the Social Sciences (SPSS) software, which facilitates systematic data processing through various statistical analysis techniques. This analytical procedure allows the relationships among research variables to be interpreted more accurately and reliably.

This study employs secondary data obtained from several official institutions that hold authority in providing economic and financial information in Indonesia. Secondary data were selected due to their high level of credibility and because they have undergone standardized processes of collection and publication by the respective institutions. The data sources used in this study include economic and financial statistical publications from Bank Indonesia, the Indonesian Banking Statistics reports published by the Financial Services Authority (Otoritas Jasa Keuangan), and macroeconomic indicator data provided by Statistics Indonesia (Badan Pusat

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Statistik). In addition, this study also utilizes officially published banking financial reports as a source of information regarding the performance of the banking sector. The collected data consist of macroeconomic stability indicators, including economic growth, inflation, benchmark interest rates, and the rupiah exchange rate, as well as banking performance indicators such as profitability ratios, credit risk, and bank capital adequacy. All data were compiled according to the relevant research period and subsequently processed using SPSS software to generate statistical analyses that are systematic and scientifically accountable.

The population of this study encompasses the entire banking sector in Indonesia that is officially registered and supervised by the Financial Services Authority (Otoritas Jasa Keuangan) as the regulatory body overseeing the financial services industry. The banking sector plays a crucial role in the national financial system as it functions as a financial intermediary that collects funds from the public and redistributes them in the form of credit to support economic activities. Therefore, analyzing the banking sector is essential for understanding the relationship between macroeconomic stability and the performance of the financial system. The sampling process in this study was conducted using a purposive sampling technique, which refers to a sample selection method based on specific criteria aligned with the objectives of the research. The criteria include banks that possess complete financial reports throughout the research period, banks that are officially recorded in national banking statistics, and the availability of consistent data for all research variables. By applying these criteria, the selected sample is expected to represent the condition of the Indonesian banking sector more accurately, allowing the study to provide empirically relevant insights regarding the influence of macroeconomic stability on the performance and resilience of the banking sector.

The variables employed in this study consist of independent and dependent variables used to analyze the relationship between macroeconomic stability and the performance of the banking sector. The independent variable is macroeconomic stability, which is measured through several key indicators, namely economic growth (GDP growth), inflation, the benchmark interest rate, and the rupiah exchange rate. Economic growth reflects the level of development of national economic activities that may influence credit demand and the performance of the banking sector. Inflation represents the general increase in the prices of goods and services, which may affect public purchasing power as well as overall economic stability. The benchmark interest rate reflects the monetary policy implemented by Bank Indonesia, which directly influences the cost of credit and banking intermediation activities. Meanwhile, the exchange rate of the rupiah against foreign currencies reflects the stability of the national currency, which may affect both economic

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conditions and the financial sector. The dependent variables in this study include banking financial performance, measured using the Return on Assets (ROA) and Return on Equity (ROE) ratios; credit risk, measured using the Non-Performing Loan (NPL) ratio; and the resilience of the banking sector, measured through the Capital Adequacy Ratio (CAR), which reflects the banking sector's capacity to absorb potential losses and maintain operational stability.

The data collection technique employed in this study utilized the documentation method, which involves gathering data from various official documents published by relevant institutions. The documentation method was selected because it enables researchers to obtain data that are objective, systematic, and academically accountable. The documents used in this research include banking statistical reports, reports on macroeconomic indicator developments, and financial reports published by the banking sector. These data were obtained from official sources such as the websites of Bank Indonesia, the Financial Services Authority (Otoritas Jasa Keuangan), and publications from Statistics Indonesia (Badan Pusat Statistik), which provide a wide range of national economic indicators. The data collection process was carried out by identifying relevant research variables, followed by downloading and compiling available data in accordance with the predetermined research period. All collected data were subsequently organized systematically in the form of a research dataset to ensure readiness for processing using SPSS software during the data analysis stage.

The data analysis in this study was conducted using the Statistical Package for the Social Sciences (SPSS), which enables systematic and structured statistical data processing. The initial stage of analysis involved descriptive statistical analysis aimed at describing the general characteristics of the research variables, including minimum values, maximum values, mean values, and standard deviations. This analysis provides a preliminary overview of the data distribution as well as the general condition of macroeconomic indicators and banking performance during the observation period. Furthermore, this study employed multiple linear regression analysis to examine the influence of macroeconomic stability variables on banking financial performance, credit risk, and the resilience of the banking sector. Hypothesis testing was carried out using the t-test to determine the partial effect of each independent variable on the dependent variable, and the F-test to assess the simultaneous influence of the independent variables within the research model. In addition, the coefficient of determination (R^2) was calculated to determine the extent to which the independent variables explain the variation in the dependent variable within the analytical model used in this study.

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RESULT AND DISCUSSION

Analysis of Banking Financial Performance

Tabel 1. Results of the Coefficient of Determination (R^2) Test

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.907[a]	.823	.681	.18810
a. Predictors: (Constant), Nilai Tukar, Inflansi, Pertumbuhan ekonomi, Suku Bunga				

Tabel 2. Results of the F-Test (Simultaneous Test)

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.821	4	.205	5.799	.040[b]
	Residual	.177	5	.035		
	Total	.998	9			
a. Dependent Variable: ROA						
b. Predictors: (Constant), Nilai Tukar, Inflansi, Pertumbuhan ekonomi, Suku Bunga						

Tabel 3. Results of the t-Test (Partial Test)

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.354	1.056		.335	.751
	Inflansi	-.027	.055	-.122	-.491	.644
	Pertumbuhan ekonomi	.105	.035	.711	3.004	.030
	Suku Bunga	.076	.071	.286	1.075	.331
	Nilai Tukar	8.198E-5	.000	.221	1.144	.304
a. Dependent Variable: ROA						

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Based on the results of the linear regression analysis presented in the Model Summary table, the R value is 0.907, indicating that the relationship between macroeconomic stability variables consisting of inflation, economic growth, interest rates, and exchange rates and banking financial performance (ROA) is categorized as very strong. The R Square value of 0.823 indicates that 82.3% of the variation in ROA can be explained by the variables of inflation, economic growth, interest rates, and exchange rates, while the remaining 17.7% is influenced by other factors outside the research model that were not included in this analysis. Furthermore, the Adjusted R Square value of 0.681 indicates that after accounting for the number of independent variables in the model, the ability of macroeconomic variables to explain the variation in ROA is 68.1%.

The results of the simultaneous test presented in the ANOVA table indicate an F-value of 5.799 with a significance level of 0.040. This significance value is lower than the significance level applied in this study ($\alpha = 0.05$), indicating that inflation, economic growth, interest rates, and exchange rates collectively have a significant effect on the Return on Assets (ROA) of the banking sector. Therefore, the regression model employed in this study can be considered appropriate for explaining the relationship between macroeconomic stability and banking financial performance.

Meanwhile, the results of the partial test presented in the Coefficients table show that not all macroeconomic variables have a significant influence on ROA. The inflation variable has a coefficient of −0.027 with a significance value of 0.644, indicating that inflation does not have a significant effect on ROA. The economic growth variable has a coefficient of 0.105 with a significance value of 0.030, suggesting that economic growth has a positive and significant effect on ROA. This finding indicates that an increase in economic growth tends to be followed by an improvement in the financial performance of the banking sector. Furthermore, the interest rate variable has a coefficient of 0.076 with a significance value of 0.331, while the exchange rate variable has a coefficient of 0.00008198 with a significance value of 0.304, indicating that both variables do not have a significant effect on ROA within the research model. Thus, it can be concluded that among the analyzed macroeconomic stability variables, economic growth is the most influential factor affecting banking financial performance as measured by ROA.

Credit Risk Analysis

Tabel 4. Coefficient of Determination Results (R^2)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate

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1	.881[a]	.776	.597	.21013
a. Predictors: (Constant), Nilai Tukar, Inflansi, Pertumbuhan ekonomi, Suku Bunga				

Tabel 5. F-Test Results (Simultaneous Effect)

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.764	4	.191	4.328	.070[b]
	Residual	.221	5	.044		
	Total	.985	9			
a. Dependent Variable: NPL						
b. Predictors: (Constant), Nilai Tukar, Inflansi, Pertumbuhan ekonomi, Suku Bunga						

Tabel 6. t-Test Results (Partial Effect)

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.264	1.180		5.308	.003
	Inflansi	.028	.062	.127	.456	.668
	Pertumbuhan ekonomi	-.050	.039	-.342	-1.285	.255
	Suku Bunga	-.110	.079	-.413	-1.382	.226
	Nilai Tukar	.000	.000	-.558	-2.577	.050
a. Dependent Variable: NPL						

Based on the results of the multiple linear regression analysis conducted to examine the influence of macroeconomic variables on banking credit risk as measured by Non-Performing Loans (NPL), the R value obtained is 0.881. This value indicates that the relationship between the independent variables namely inflation, economic growth, interest rates, and exchange rates and the dependent variable (NPL) can be categorized as relatively strong. Meanwhile, the R Square

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value of 0.776 suggests that 77.6% of the variation in NPL can be explained by the macroeconomic variables included in the research model, while the remaining 22.4% is influenced by other factors outside the scope of this study. Furthermore, the Adjusted R Square value of 0.597 indicates that after accounting for the number of variables in the model, the ability of the independent variables to explain variations in NPL is approximately 59.7%.

The simultaneous test results using the F-test show an F-statistic of 4.328 with a significance level of 0.070. This significance value is higher than the commonly used significance level of 0.05. Therefore, it can be concluded that, simultaneously, inflation, economic growth, interest rates, and exchange rates do not exhibit a statistically significant effect on the NPL of the banking sector. This finding indicates that, collectively, the macroeconomic stability variables included in the research model are not yet able to significantly explain changes in banking credit risk at the 95% confidence level.

Furthermore, the results of the partial test (t-test) reveal that the inflation variable has a coefficient of 0.028 with a significance value of 0.668, indicating that inflation does not have a significant effect on NPL. The economic growth variable has a coefficient of −0.050 with a significance value of 0.255, which also suggests the absence of a significant influence on NPL. Similarly, the interest rate variable shows a coefficient of −0.110 with a significance value of 0.226, indicating that it does not have a significant effect on the level of non-performing loans in the banking sector.

In contrast to the other variables, the exchange rate variable shows a significance value of 0.050 with a coefficient of 0.000 and a beta value of −0.558, indicating that the exchange rate has a relatively stronger influence on NPL compared to the other macroeconomic variables included in the model. Although the reported coefficient appears very small due to the large scale of exchange rate values, the negative direction of the beta coefficient suggests that fluctuations in the exchange rate may affect the level of banking credit risk. Overall, the findings of this study indicate that macroeconomic variables in the model demonstrate a relatively strong relationship with NPL; however, statistically, most variables do not exhibit a significant partial effect on banking sector credit risk.

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Banking Sector Resilience Analysis

Tabel 7. Coefficient of Determination (R^2) Test Results

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.952[a]	.905	.830	.88979
a. Predictors: (Constant), Nilai Tukar, Inflansi, Pertumbuhan ekonomi, Suku Bunga				

Tabel 8. Simultaneous F-Test Results

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	37.914	4	9.479	11.972	.009[b]
	Residual	3.959	5	.792		
	Total	41.873	9			
a. Dependent Variable: CAR						
b. Predictors: (Constant), Nilai Tukar, Inflansi, Pertumbuhan ekonomi, Suku Bunga						

Tabel 9. Partial t-Test Results

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.330	4.996		.066	.950
	Inflansi	-.639	.260	-.445	-2.453	.058
	Pertumbuhan ekonomi	.212	.165	.222	1.285	.255
	Suku Bunga	-.340	.336	-.196	-1.012	.358
	Nilai Tukar	.002	.000	.778	5.524	.003
a. Dependent Variable: CAR						

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The regression analysis results indicate that the model demonstrates a strong relationship between macroeconomic variables and the resilience of the banking sector, proxied by the Capital Adequacy Ratio (CAR). This is reflected in the R value of 0.952, which suggests that the relationship between the independent variables—namely inflation, economic growth, interest rates, and exchange rates—and the dependent variable (CAR) falls within the very strong correlation category. The R Square value of 0.905 indicates that approximately 90.5% of the variation in CAR can be explained by the four macroeconomic variables included in the research model, while the remaining 9.5% is influenced by other factors outside the model that were not examined in this study. Furthermore, the Adjusted R Square value of 0.830 shows that after adjusting for the number of variables in the model, the explanatory power of the independent variables in accounting for changes in CAR remains relatively high.

The simultaneous test (F-test) results presented in the ANOVA table show an F-statistic of 11.972 with a significance level of 0.009. Since this significance value is lower than the commonly accepted threshold of 0.05, it can be concluded that inflation, economic growth, interest rates, and exchange rates simultaneously have a significant effect on CAR. Therefore, overall macroeconomic conditions play an important role in influencing the capital resilience of the banking sector in Indonesia.

Partially, the t-test results indicate that not all macroeconomic variables have a significant effect on CAR. The inflation variable has a regression coefficient of -0.639 with a significance value of 0.058, suggesting that inflation has a negative effect on CAR, although this effect is not statistically significant at the 5% significance level. The economic growth variable has a coefficient of 0.212 with a significance value of 0.255, indicating a positive but statistically insignificant influence on CAR. Similarly, the interest rate variable has a coefficient of -0.340 with a significance value of 0.358, which also reflects a negative but statistically insignificant effect on CAR.

In contrast to the other variables, the exchange rate demonstrates a significant effect on CAR. This is evidenced by a regression coefficient of 0.002 with a significance value of 0.003, which is lower than 0.05. These results indicate that the exchange rate has a positive and significant influence on CAR, implying that fluctuations in the exchange rate contribute meaningfully to changes in the capital resilience of the banking sector. Overall, these findings suggest that although macroeconomic conditions collectively affect CAR, only the exchange rate variable exhibits a statistically significant partial effect within the research model.

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DISCUSSION

Based on the regression analysis results, the relationship between macroeconomic stability variables namely inflation, economic growth, interest rates, and exchange rates and banking financial performance proxied by Return on Assets (ROA) demonstrates a strong association. The R value of 0.907 indicates a very strong relationship between the independent and dependent variables. Furthermore, the R Square value of 0.823 suggests that 82.3% of the variation in ROA can be explained by the four macroeconomic variables, while the remaining 17.7% is influenced by other factors outside the research model. The simultaneous test results also show that the four macroeconomic variables jointly have a significant effect on ROA. However, the partial test indicates that only the economic growth variable has a positive and significant effect on ROA, while inflation, interest rates, and exchange rates do not exhibit significant effects. This finding suggests that an increase in overall economic activity may contribute to improving the financial performance of the banking sector.

Furthermore, the analysis of banking credit risk proxied by Non-Performing Loans (NPL) shows that macroeconomic variables have a relatively strong relationship, with an R value of 0.881. The R Square value of 0.776 indicates that 77.6% of the variation in NPL can be explained by inflation, economic growth, interest rates, and exchange rates. However, the simultaneous test results reveal that the influence of these four variables on NPL is not statistically significant. The partial test results also indicate that inflation, economic growth, and interest rates do not have a significant effect on NPL. Meanwhile, the exchange rate shows a relatively stronger influence compared to the other variables, although its statistical effect remains limited. These findings indicate that changes in macroeconomic conditions do not directly affect the level of non-performing loans during the research period.

Regarding banking resilience proxied by the Capital Adequacy Ratio (CAR), the analysis shows a very strong relationship between macroeconomic variables and CAR, with an R value of 0.952. The R Square value of 0.905 indicates that approximately 90.5% of the variation in CAR can be explained by inflation, economic growth, interest rates, and exchange rates. The simultaneous test results demonstrate that the four macroeconomic variables jointly have a significant effect on CAR. However, the partial test results show that only the exchange rate variable has a positive and significant effect on CAR, while inflation, economic growth, and interest rates do not have significant effects. This finding indicates that exchange rate movements play a more dominant role in influencing the capital resilience of the banking sector compared to other macroeconomic variables included in this research model.

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CONCLUSION

Based on the results of the research analysis, it can be concluded that macroeconomic stability, as measured by inflation, economic growth, interest rates, and exchange rates, has a strong relationship with the performance and resilience of the banking sector. Simultaneously, these four macroeconomic variables are found to have a significant effect on Return on Assets (ROA) and the Capital Adequacy Ratio (CAR), but they do not show a significant effect on Non-Performing Loans (NPL). Partially, economic growth has a positive and significant influence on ROA, indicating that an increase in economic activity can encourage improvements in banking financial performance. Meanwhile, in terms of capital resilience proxied by CAR, only the exchange rate variable is found to have a positive and significant effect. In contrast, inflation and interest rates do not demonstrate a significant effect on ROA, NPL, or CAR in the research model. Overall, these findings indicate that macroeconomic conditions play a role in influencing the performance and resilience of the banking sector, although the effect of each individual variable is not always statistically significant when examined separately.

Based on the findings of this study, it is recommended that banking institutions and financial authorities pay greater attention to the dynamics of macroeconomic conditions, particularly economic growth and exchange rate movements, as these variables have been shown to influence banking performance and resilience. For governments and monetary authorities, maintaining macroeconomic stability remains essential in creating a conducive economic environment for the banking sector. Furthermore, future studies are encouraged to incorporate additional variables that may affect banking performance, such as monetary policy, unemployment rates, or internal banking factors. Future research may also consider employing a longer observation period in order to provide a more comprehensive understanding of the relationship between macroeconomic stability and the banking sector.

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