

The Effect of IRR and CAR on Profit Growth in Companies Listed on the Indonesia Stock Exchange (IDX)

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ABSTRACT

This study is motivated by the importance of profit growth as an indicator of financial performance in banking companies listed on the Indonesia Stock Exchange. Profit growth reflects a bank's ability to maintain financial stability, manage risk, and strengthen the confidence of investors and the public. This study aims to analyze the effect of the Interest Risk Ratio (IRR) and Capital Adequacy Ratio (CAR) on profit growth in banking companies listed on the Indonesia Stock Exchange during the 2021–2023 period. This research applies a descriptive quantitative approach using secondary data obtained from company financial statements published on the official website of the Indonesia Stock Exchange and the official websites of the respective banking companies. The population of this study consists of 33 banking companies, while the sample was selected using purposive sampling, resulting in 16 companies with 48 observations. The data analysis technique used is multiple linear regression with the assistance of SPSS 22. The results show that, partially, IRR has a significant effect on profit growth with a significance value of $0.033 < 0.05$, and CAR has a significant effect on profit growth with a significance value of $0.000 < 0.05$. Simultaneously, IRR and CAR significantly affect profit growth with a significance value of $0.006 < 0.05$. The R Square value of 0.346 indicates that IRR and CAR explain 34.6% of the variation in profit growth, while the remaining percentage is influenced by other variables outside this study.

ABSTRAK

Penelitian ini dilatarbelakangi oleh pentingnya pertumbuhan laba sebagai indikator kinerja keuangan perusahaan perbankan yang terdaftar di Bursa Efek Indonesia. Pertumbuhan laba mencerminkan kemampuan bank dalam menjaga stabilitas keuangan, mengelola risiko, serta meningkatkan kepercayaan investor dan masyarakat. Penelitian ini bertujuan untuk menganalisis pengaruh Interest Risk Ratio (IRR) dan Capital Adequacy Ratio (CAR) terhadap pertumbuhan laba pada perusahaan perbankan yang terdaftar di Bursa Efek Indonesia periode 2021–2023. Jenis penelitian yang digunakan adalah penelitian deskriptif kuantitatif dengan menggunakan data sekunder yang diperoleh dari laporan keuangan perusahaan melalui situs resmi Bursa Efek Indonesia dan situs resmi masing-masing perusahaan perbankan. Populasi penelitian ini berjumlah 33 perusahaan perbankan, sedangkan sampel ditentukan dengan metode purposive sampling sehingga diperoleh 16 perusahaan dengan jumlah observasi sebanyak 48 data. Teknik analisis data menggunakan regresi linear berganda dengan bantuan SPSS 22. Hasil penelitian menunjukkan bahwa secara parsial IRR berpengaruh signifikan terhadap pertumbuhan laba dengan nilai signifikansi $0,033 < 0,05$, dan CAR berpengaruh signifikan terhadap pertumbuhan laba dengan nilai signifikansi $0,000 < 0,05$. Secara simultan, IRR dan CAR berpengaruh signifikan terhadap pertumbuhan laba dengan nilai signifikansi $0,006 < 0,05$. Nilai R Square sebesar 0,346 menunjukkan bahwa IRR dan CAR mampu menjelaskan pertumbuhan laba sebesar 34,6%, sedangkan sisanya dipengaruhi oleh variabel lain di luar penelitian ini.

1. Introduction

Profit growth is one of the key indicators used to assess a company's financial performance and long-term business prospects. For companies listed on the Indonesia Stock Exchange (IDX), profit growth is not only important for internal management evaluation but also serves as a signal for investors, creditors, and other stakeholders in making economic decisions. A company with consistent profit growth is generally perceived as having effective financial management, stronger operational capacity, and better prospects for sustaining its business in the future. Hayuningtyias and Nur (2022) explain that profit growth reflects a company's ability to increase its net income from year to year, and such information can be observed through financial statements as the main source of financial performance assessment. In the banking sector, profit growth has a more specific urgency because banks play a strategic role as financial intermediaries. Banks collect funds from surplus units and distribute them to deficit units in the form of credit or other financing activities. This role makes the banking sector closely connected to economic stability, investment activity, and public trust. Purwanto (2017) emphasizes that banks function as the backbone of a country's economy because they act as intermediary institutions between parties with excess funds and parties that require funds. Therefore, the financial soundness of banks needs to be continuously assessed to ensure that their operational activities remain stable and capable of generating sustainable earnings.

The importance of examining profit growth becomes more relevant when considering the dynamic condition of banking performance in Indonesia. Recent evidence shows that the net profit of the banking sector declined sharply in 2020 due to the slowdown in the real and corporate sectors during the COVID-19 pandemic. Although banking performance gradually recovered from 2021 to 2024, the rate of profit growth began to slow after reaching its peak in 2022. This condition indicates that the banking sector still faces challenges in maintaining stable and aggressive profit growth. Winarno, Fidyah, and Permanasari (2025) argue that understanding the factors affecting profit growth is important for banks in formulating strategic decisions to optimize financial performance. One of the financial indicators that may influence profit growth is the Capital Adequacy Ratio (CAR). CAR reflects the ability of a bank to maintain sufficient capital in covering potential risks arising from its operational activities, particularly risks related to credit distribution and investment activities. A higher CAR generally indicates stronger capital resilience, which may increase public and investor confidence in the bank's ability to absorb losses and

support business expansion. Winarno *et al.* (2025) found that CAR has a positive effect on profit growth in banking subsector companies listed on the IDX for the 2020–2024 period. This finding suggests that capital strength can become an important signal of a bank's ability to maintain financial stability and generate future earnings. Another important indicator is the Interest Risk Ratio (IRR), which is related to a bank's sensitivity to changes in interest rates. In banking operations, interest income and interest expense are central components that determine profitability. Changes in interest rates may affect the gap between income generated from productive assets and costs arising from interest-bearing liabilities. Therefore, IRR becomes relevant in explaining profit growth because it reflects how well a bank manages interest rate risk within its financial structure. Purwanto (2017) found that IRR significantly affects profit growth in go-public banking companies listed on the IDX, showing that the management of interest rate risk is closely related to the bank's ability to generate earnings. Previous studies have shown that financial ratios are widely used to explain changes in profit growth, but the findings remain varied depending on the research period, sample characteristics, and variables used. Hayuningtyias and Nur (2022), for example, found that several financial ratios contribute to profit growth in banking subsector companies listed on the IDX. Meanwhile, Winarno *et al.* (2025) found that among several banking ratios tested, CAR had a positive effect on profit growth, whereas other variables such as NPL, LDR, ROA, and BOPO did not show an effect.

These differences indicate that profit growth is not determined by a single factor, but rather by a combination of internal financial conditions and risk management capability. Based on this background, this study focuses on the effect of Interest Risk Ratio (IRR) and Capital Adequacy Ratio (CAR) on profit growth in companies listed on the Indonesia Stock Exchange. The selection of these two variables is based on their relevance to banking financial soundness, particularly in relation to market risk sensitivity and capital strength. IRR represents the bank's ability to manage interest rate exposure, while CAR reflects the adequacy of capital in supporting operational activities and absorbing potential risks. By examining these two variables, this study is expected to provide a clearer understanding of how risk sensitivity and capital adequacy contribute to profit growth. The objective of this study is to analyze whether IRR and CAR affect profit growth in companies listed on the Indonesia Stock Exchange. The results of this study are expected to provide theoretical and practical contributions. Theoretically, this study may enrich the literature on financial ratio analysis and profit growth, particularly in the context

of IDX-listed companies. Practically, the findings may provide useful information for company management in strengthening financial strategies, for investors in evaluating company performance, and for future researchers who intend to examine the relationship between financial soundness indicators and profit growth. Interest Risk Ratio (IRR) is a financial ratio used to measure a bank's sensitivity to changes in interest rates. In banking operations, interest rate movements may affect interest income received from productive assets and interest expenses paid on interest-bearing liabilities. Therefore, IRR reflects the extent to which a bank is able to manage market risk, particularly the risk arising from changes in interest rates. Purwanto (2017) explains that IRR is used as one of the indicators of bank financial soundness, especially in relation to the bank's ability to respond to interest rate changes that may influence earnings performance. In practical terms, IRR is important because banking profitability is strongly influenced by the balance between interest income and interest expense. When a bank manages its interest-sensitive assets and liabilities effectively, changes in interest rates may still be controlled so that they do not significantly reduce profit. Conversely, poor management of interest rate exposure may weaken earnings and reduce profit growth. This is consistent with the view that market risk sensitivity is part of the CAMELS framework, where bank capital and risk management capacity are assessed based on their ability to cover the effects caused by changes in market risk (Suroso, 2022). Capital Adequacy Ratio (CAR) is a ratio that measures the adequacy of a bank's capital in covering risks arising from its operational activities.

CAR reflects the extent to which a bank has sufficient capital to absorb potential losses, especially losses related to credit, investment, securities, and other risk-weighted assets. Arseto, Arfah, and Siregar (2022) define CAR as a ratio that shows how far bank assets containing risk are financed by the bank's own capital, in addition to funds obtained from external sources such as public funds, loans, and other liabilities. CAR also functions as an important indicator of bank financial soundness because it shows the strength of bank capital in supporting business activities and maintaining public confidence. A higher CAR indicates that the bank has stronger capital resilience and a better ability to face financial risks. Suroso (2022) states that CAR represents the minimum capital requirement that must be owned by a bank, reflects bank capital strength, and serves to accommodate possible risks of loss faced by the bank. Profit growth refers to the increase or decrease in a company's profit from one accounting period to another. In financial analysis, profit growth is used to

assess whether a company is able to improve its earnings performance over time. Hayuningtyias and Nur (2022) explain that profit growth is calculated by comparing the current period's net profit with the previous period's net profit, so it reflects the company's ability to generate better financial results from year to year. Profit growth is an important indicator for both internal and external stakeholders because it describes the effectiveness and efficiency of company operations. In banking companies, increasing profit may strengthen bank capital, improve business expansion capacity, and attract investors. Purwanto (2017) states that continuously increasing profit indicates that a bank is experiencing improved efficiency and effectiveness in its operational activities, while positive profit growth may also influence investor decisions because investors expect better bank earnings in the following period.

2. Research Methodology

In this study, the population used consists of banking companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period, totaling 33 companies. The type of research employed by the author is descriptive and quantitative research. The sampling technique used in this study is purposive sampling. Based on the sampling criteria, the companies selected as the research sample consist of 16 companies out of 33 banking companies listed on the Indonesia Stock Exchange during the 2021–2023 period. The research location is banking companies listed on the official website of the Indonesia Stock Exchange, www.idx.co.id, and the official websites of the respective banking companies.

3. Results and Discussion

3.1 Results

3.1.1 Descriptive Analysis

Based on Table 1, the IRR Ratio shows a minimum value of 1.01 and a maximum value of 78.34, with a mean of 23.9429 and a standard deviation of 22.41510, indicating substantial variation in interest rate risk across the sample. For CAR, the minimum is 2.48 and the maximum is 22.86, with a mean of 9.6389 and a standard deviation of 6.88154, suggesting that capital adequacy generally remains adequate but varies among banks. Finally, profit growth has a minimum value of 14.90 and a maximum value of 55.91, with a mean of 29.5239 and a standard deviation of 14.01474, reflecting differences in profit growth levels during the study period.

Table 1. Descriptive Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
<i>IRR Ratio</i>	48	1.01	78.34	23.9429	22.41510
<i>CAR</i>	48	2.48	22.86	9.6389	6.88154
<i>Pertumbuhan Laba</i>	48	14.90	55.91	29.5239	14.01474
Valid N (listwise)	48				

Based on Table 1, the descriptive statistics of three financial variables are presented for 48 listed banks. For the Interest Rate Risk Ratio (IRR Ratio), the minimum value recorded is 1.01, indicating that some banks have a very low level of interest rate risk exposure. In contrast, the maximum value reaches 78.34, showing that certain banks have a very high level of risk exposure. The mean value of this ratio is 23.9429, which indicates a moderate level of interest rate risk exposure across the sample. The standard deviation of 22.41510 shows a significant variation in the data, with some banks having risk levels far above or below the average. For the Capital Adequacy Ratio (CAR), the minimum value is 2.48, reflecting that some banks have a relatively low level of capital adequacy, while the maximum value reaches 22.86, indicating that certain banks have a very high level of capital adequacy. The mean value of this ratio is 9.6389, showing that, overall, the banks in the sample have an adequate level of capital adequacy. The standard deviation of 6.88154 indicates a fairly large variation in capital adequacy among the banks. For Profit Growth, the minimum value recorded is 14.90%, indicating that some banks experienced relatively low profit growth, while the maximum value reaches 55.91%, showing that certain banks achieved very high profit growth. With an average profit growth of 29.5239%, it can be seen that, in general, the banks in the sample experienced a significant increase in profit. The standard deviation of 14.01474 indicates a large variation among banks, with some banks experiencing profit growth far above or below the average. These data provide a comprehensive overview of the financial performance and risks faced by the banks analyzed in this study.

3.1.2 Classical Assumption Test Results

Before conducting hypothesis testing, it is necessary to test the classical assumptions in the multiple regression model. This test aims to ensure whether the assumptions in the regression model are fulfilled, so that the analysis conducted becomes more relevant. The classical assumption tests include several tests, one of which is the normality test.

3.1.3 Normality Test

The normality test is used to examine whether the dependent variable, independent variables, or both have a distribution that approaches a normal distribution. This test is conducted through graphical

analysis and statistical testing. The following presents the results of the normality test using the histogram graph and the normal probability plot graph. By conducting the normality test, it can be determined whether the data in the regression model follow a normal distribution or not. If the data are not normally distributed, several data transformation methods or the use of non-parametric methods may need to be considered for further analysis.

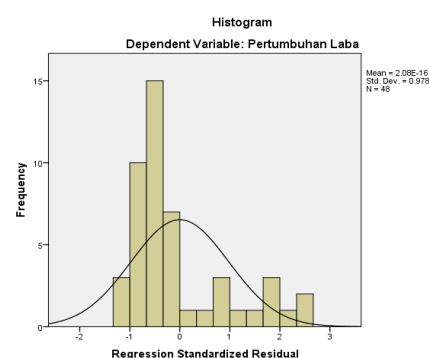


Figure 1. Histogram

Based on Figure 1, it can be concluded that the data used in this study show a normal distribution. This can be seen from the data pattern, which forms a bell-shaped curve and is positioned in the center. Therefore, the data can be considered normally distributed.

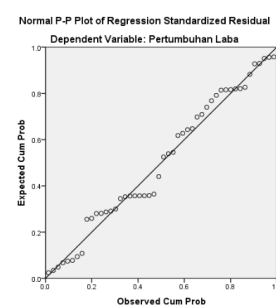


Figure 2. Normal P-Plot

The normal probability plot graph shows that the distribution pattern tends to be normal. The data points are spread around the diagonal line and follow the direction of the diagonal line. Therefore, the regression model meets the normality assumption. The normality test can also be examined statistically using the One-Sample Kolmogorov-Smirnov Test, as presented in the following table:

Table 2. Kolmogorov Smirnov

		Unstandardized Residual
N		48
Normal Parameters ^{a,b}	Mean	0E-7
	Std. Deviation	11.33682852
Most Extreme Differences	Absolute	.117
	Positive	.117
	Negative	-.084
Kolmogorov-Smirnov Z		.814
Asymp. Sig. (2-tailed)		.522

Based on the data above, it is known that the significance value is $0.522 > 0.05$. Therefore, it can be concluded that the data are normally distributed.

3.1.4 Multicollinearity Test

The multicollinearity test aims to examine whether there is a correlation among the independent variables in the regression model. A good regression model should not show any correlation among the

independent variables. To detect the presence or absence of multicollinearity in the regression model, it can be seen from two indicators: the Tolerance value and its counterpart, the Variance Inflation Factor (VIF). The criteria indicating that there is no multicollinearity are a Tolerance value ≥ 0.10 or a VIF value ≤ 10 . The results of the multicollinearity test can be seen in the following table:

Table 3. Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
IRR Ratio	.981	1.020
CAR	.981	1.020

Based on the table above, it can be seen that the Tolerance values of the IRR Ratio and CAR variables are each greater than 0.100. This indicates that the two variables do not show any indication of multicollinearity. Likewise, the VIF values shown in the table are less than **10.00**, which also confirms that the independent variables used in this study do not indicate the occurrence of multicollinearity.

3.1.5 Heteroscedasticity Test

The heteroscedasticity test aims to examine whether there is an unequal variance of residuals from one observation to another in the regression model. If the variance of residuals from one observation to another remains constant, it is called homoscedasticity. However, if the variance differs, it is called heteroscedasticity. A good regression model is one that does not indicate heteroscedasticity. The results of the heteroscedasticity test in this study can be seen in the figure below.

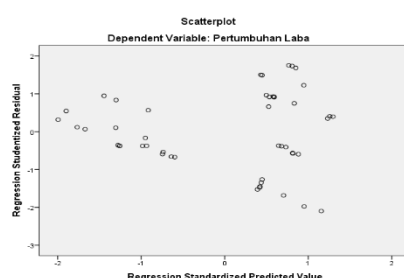


Figure 3. Scatterplot

Based on the figure above, there is no clear pattern, and the points are randomly scattered above and below the value of 0 on the Y-axis without forming a specific pattern. Therefore, it can be concluded that the regression model does not indicate heteroscedasticity. Based on the figure above, there is no clear pattern, and the points are randomly scattered above and below the value of 0 on the Y-axis without forming a specific pattern. Therefore, it can be concluded that the regression model does not indicate heteroscedasticity.

3.1.6 Autocorrelation Test

The autocorrelation test is used to examine whether, in a linear regression model, there is a correlation between the error term in period t and the error term in period $t-1$ or the previous period. A good regression model should be free from autocorrelation. If autocorrelation occurs, it is referred to as an autocorrelation problem. Autocorrelation arises because observations arranged sequentially over time are related to one another. The results of the autocorrelation test can be seen in the following table:

Table 4. Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.588a	.346	.317	11.58602	.346	11.885	2	48	.000	1.778

Based on the Durbin-Watson table values with $K = 2$ and $N = 48$ at a 5% significance level, the autocorrelation criteria are fulfilled when the value of Durbin-Watson falls between d_U and $4 - d_U$. The results show that $d_L = 1.4500$, $d_U = 1.6231$, $d_W = 1.778$, $4 - d_U = 2.3769$, and $4 - d_L = 2.55$. Thus, the value can be written as $1.4500 < 1.6231 < 1.778 < 2.3769 < 2.55$. Since the Durbin-Watson value is greater than d_U and smaller than $4 - d_U$, it can be concluded that there is no indication of autocorrelation in the regression model.

3.1.7 Multiple Linear Regression Analysis

Multiple linear regression is used to determine the linear relationship between several independent variables, commonly referred to as X_1 , X_2 , and so on, and the dependent variable, commonly referred to as Y . Based on the results of data processing using SPSS 22, the following results were obtained:

Table 5. Multiple Linear Regression

Table 3: Multiple Linear Regression							
Model		Unstandardized Coefficients		Standardized Coefficients		t	Sig.
		B	Std. Error	Beta			
1	(Constant)	24.031	2.429			9.893	.000
	IRR Ratio	.102	.067	.197		1.729	.033
	CAR	2.573	.680	.487		3.785	.000

Based on Table 5 above, the multiple regression equation in this study is as follows:

$$Y = 24.031 + 0.102X_1 + 2.573X_2 + e$$

From the equation above, it can be interpreted as follows. The constant value of 24.031 indicates that if there are no independent variables, or if X_1 and X_2 are equal to 0, then profit growth is 24.031. The regression coefficient of the IRR Ratio is 0.102, meaning that every 1% increase in the IRR Ratio will be followed by an increase in profit growth of 0.102, assuming that other variables remain constant. Meanwhile, the regression coefficient of CAR is 2.573, meaning that every 1% increase in CAR will be

followed by an increase in profit growth of 2.573, assuming that other variables remain constant. This means that an increase in the IRR Ratio and CAR may contribute to an increase in profit growth. This interpretation is based on the direction of the regression coefficient, where a positive coefficient (+) indicates an increase, while a negative coefficient (-) indicates a decrease.

3.1.8 Partial Test (t-Test)

The t-test aims to show the extent to which each independent variable influences the dependent variable. In addition, the t-test is conducted to prove the initial hypotheses regarding the effect of the IRR Ratio and CAR on profit growth.

Table 6. t-test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	24.031	2.429		9.893	.000
	IRR Ratio	.102	.067	.197	1.729	.033
	CAR	2.573	.680	.487	3.785	.000

Based on Table 6, it is known that the significance value of the IRR Ratio is 0.033, which is lower than the alpha level of 5% (0.05), or the value of t-count ($1.729 > t\text{-table}$ (1.679) with $n - k - 1 = 48 - 2 - 1 = 45$. Meanwhile, the significance value of CAR is 0.000, which is also lower than the alpha level of 5% (0.05), or the value of t-count ($3.785 > t\text{-table}$ (1.679). Based on the t-test criteria, if t-count $> t\text{-table}$, then H_0 is rejected and H_a is accepted, meaning that the independent variable individually and significantly

affects the dependent variable. Conversely, if t-count $< t\text{-table}$, then H_0 is accepted and H_a is rejected, meaning that the independent variable individually does not significantly affect the dependent variable. Therefore, it can be concluded that both the IRR Ratio and CAR individually have a significant effect on profit growth.

3.1.9 F-Test (Simultaneous Test)

The F-test is used to determine whether the independent variables simultaneously have an effect on the dependent variable. In this study, the F-test is

conducted to examine whether the IRR Ratio and CAR together influence profit growth. The decision-making criteria are as follows:

Table 7. F Test

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	743.725	2	371.863	5.652	.006b
	Residual	2960.719	45	65.794		
	Total	3704.445	47			

Based on Table 7, the simultaneous effect of the independent variables can be seen from the value of F-count (5.652), which is greater than F-table (3.20), with a significance level of $0.006 < 0.05$. Therefore, it can be concluded that H_3 is accepted, meaning that the IRR Ratio and CAR simultaneously have a significant effect on profit growth.

3.1.10 Coefficient of Determination Test (R^2)

The coefficient of determination (R^2) is used to measure how far the regression model is able to explain the variation in the dependent variable. In other words, this test shows the extent to which the independent variables, namely the IRR Ratio and CAR, are able to explain changes in profit growth.

The results of the determination analysis in this study are presented as follows:

Table 8. Coefficient of Determination (R^2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.588a	.346	.317	11.58602	.346	11.885	2	48	.000	1.778

Based on Table 8, the value of R is 0.588, indicating a moderate relationship between the IRR Ratio and CAR and profit growth. Meanwhile, the coefficient of determination, shown by the R Square value of 0.346, means that 34.6% of the variation in profit growth can be explained by the IRR Ratio and CAR. The remaining 65.4% is influenced by other variables outside this study that were not examined by the researcher.

3.2 Discussion

The t-test result shows that the IRR Ratio has a t-count value of 1.729, which is greater than the t-table value of 1.679 with $n - k - 1 = 48 - 2 - 1 = 45$. This indicates that the IRR Ratio has a significant effect on profit growth. Market risk in this study is measured using the Interest Risk Ratio (IRR). According to Oktanto (2019), interest rate risk is the risk that arises due to changes in interest rates, which may reduce the market value of securities, especially when banks require liquidity. This finding is in line with the study conducted by Sofyan (2017), which states that market risk measured by the IRR ratio has an effect on profit growth. The study conducted by Titik Lestari also states that the IRR Ratio has a significant effect on profit growth. This condition occurs because sensitivity to market risk reflects the ability of bank capital to cover the impact caused by changes in market risk under various scenarios. Market risk can be defined as the risk arising from movements in

market variables within a portfolio that may cause losses to the bank. The findings of Safariah, Fathoni, *et al.* (2012) also prove that IRR has a positive and significant effect on profit growth. The t-test result shows that CAR has a t-count value of 3.785, which is greater than the t-table value of 1.679 with $n - k - 1 = 48 - 2 - 1 = 45$. This indicates that CAR has a significant effect on profit growth. Capital Adequacy Ratio (CAR) is one of the indicators used to measure a bank's ability to meet its capital adequacy requirements. A higher CAR indicates that the bank has greater own capital to finance productive assets, which may reduce the cost of funds incurred by the bank. When the cost of funds decreases, the bank's profit is likely to increase (Setijaningsih, 2016). Therefore, CAR is considered to have a positive effect on profit growth. This finding is different from the study conducted by Wirawan (2015), which found that CAR does not affect profit growth. However, it is consistent with Yuliatiningrum (2014), who stated that CAR has an effect on profit growth. CAR is an important indicator for assessing the capital aspect of a bank. An increase in the CAR ratio indicates that the bank has stronger capital, meaning that it has sufficient capital to cover potential losses arising from its operational activities. Own capital may reduce the cost of funds because the bank can allocate its capital to productive assets, which in turn may increase profitability. Therefore, if the CAR ratio is greater than or equal to 8%, the banking company can be

considered financially sound, and this condition may contribute to higher profit growth. As bank capital increases, profit growth may also increase, followed by higher returns for shareholders as principals. At the same time, managers as agents are encouraged to improve the bank's profitability. Thus, CAR and profit growth have a positive relationship because both contribute to increasing company value and providing benefits for stakeholders. The studies conducted by Kurniawati (2013) and Sudarmanto (2013) also state that CAR affects bank profit growth, meaning that banking companies with higher capital adequacy tend to have higher profit growth. Based on the simultaneous test, the result shows that the F-count value is 5.652, which is greater than the F-table value of 3.20, with a significance level of $0.006 < 0.05$. This indicates that H_3 is accepted, meaning that the IRR Ratio and CAR simultaneously have a significant effect on profit growth. The effect of IRR and CAR on profit growth has been widely discussed in the context of banking performance. IRR reflects the bank's ability to manage interest rate risk, while CAR represents the bank's capital strength in covering risk-weighted assets. In banking operations, IRR and CAR are closely related to risk management and financial stability. IRR is associated with the bank's exposure to changes in interest rates, while CAR reflects the ability of bank capital to absorb potential losses. A bank with good interest rate risk management and sufficient capital adequacy is more likely to maintain stable profitability. Several studies show that the relationship between IRR, CAR, liquidity risk, credit risk, and market risk may produce both positive and negative effects depending on the condition of the bank and the period of observation. Overall, the findings of this study indicate that IRR and CAR are important factors in understanding bank financial performance and stability, particularly in relation to risk management and profitability.

4. Conclusion

Based on the results of the analysis, it can be concluded that the IRR Ratio has a significant effect on profit growth in banking companies listed on the Indonesia Stock Exchange during the 2021–2023 period. This is shown by the t-count value of 1.729, which is greater than the t-table value of 1.679, with a significance value of $0.033 < 0.05$. These results indicate that changes in interest rate risk influence the profit growth of banking companies. Therefore, the ability of banks to manage interest rate risk is an important factor in maintaining and improving profit growth. The results also show that the Capital Adequacy Ratio (CAR) has a significant effect on profit growth. This is proven by the t-count value of 3.785, which is greater than the t-table value of 1.679,

with a significance value of $0.000 < 0.05$. This finding indicates that the higher the capital adequacy of a bank, the greater its ability to support operational activities, absorb potential risks, and increase profit growth. Adequate capital allows banks to maintain financial stability and strengthen their capacity to generate profits. Simultaneously, the IRR Ratio and CAR have a significant effect on profit growth in banking companies listed on the Indonesia Stock Exchange. This is indicated by the F-count value of 5.652, which is greater than the F-table value of 3.20, with a significance value of $0.006 < 0.05$. The coefficient of determination shows that the IRR Ratio and CAR are able to explain 34.6% of the variation in profit growth, while the remaining 65.4% is influenced by other variables not examined in this study. Thus, both interest rate risk management and capital adequacy are important factors in supporting the profit growth of banking companies.

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