

DETERMINANTS OF FUTURE STOCK RETURNS IN THE FINANCIAL INDUSTRY



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Abstract

This study aims to analyse the moderating role of corporate governance, fintech adoption and good on the relationship between profitability and stock returns. The motivation of this study is to examine profitability on future stock returns. This quantitative research method used thirty-seven (37) banking companies listed on the Indonesia Stock Exchange in the period 2020 - 2023, which were tested with the SmartPLS 4 program. The implications of this study are expected to provide benefits for investors, banking companies, regulators, academics, and the economy as a whole. This study found that profitability has a positive effect on future stock returns. Meanwhile, GCG is unable to moderate the relationship between profitability and future stock returns; in addition, fintech adoption is unable to moderate the relationship between profitability and future stock returns.

Keywords: Fintech Adoption, Good Corporate Governance, Profitability, Future Stock Returns

INTRODUCTION

Indonesia's capital market has experienced significant growth in recent years, marked by an increase in the number of retail investors, especially from millennials and Gen Z. The main factors driving this trend are technological advances and digitalization that have facilitated access to the capital market, which has attracted more than 8.3 million investors by the end of the first quarter of 2022, marking an increase of 12.13% from the previous year. Young people are now increasingly considering fundamental factors in their investment choices, choosing large-cap stocks as part of their capital market investment strategy (Purwanti, 2022).

In July 2023, the Indonesian Central Securities Depository (KSEI) recorded an impressive growth in the number of investors, reaching 11.42 million. This figure reflects a monthly growth of 1.71% and a substantial annual increase of 22.53%. Even more impressively, from 2020 to 2023, the number of investors has jumped drastically by 77.57%, indicating a significant paradigm shift in the financial behavior of the Indonesian people. The distribution of investors is still dominated by Java at 68.84% with assets of IDR 4,009.67 trillion, followed by Sumatra (16.67%) and Kalimantan (5.27%), while Maluku and Papua have the lowest proportion (1.07%) indicating promising growth potential (KSEI, 2021).

The increase in the number of investors in the Indonesian capital market is not only quantitative, but also reflects a shift in people's investment preferences towards a more strategic direction. (Aprilia dan Setiawan, 2022). Stock securities are the most popular investment instrument, indicating high investor optimism towards the long-term prospects of the capital market and increasing financial literacy (Nurazizah et al., 2022). When making investment decisions, investors must consider both the potential profits and associated risks (Gustiansyah & Pratomo, 2023). Stock returns themselves reflect the company's performance and are calculated based on the market price of securities at the time of the transaction. If the stock price increases compared to the purchase price, investors obtain capital gains, while dividends are additional benefits that reflect the company's profitability. (Setiawan & Venona, 2023). By understanding the dynamics of stock returns, investors can more optimally manage their investment portfolios and minimize risk.

Fundamental analysis is an important approach in understanding market reactions and making the right investment decisions (Cholidia, 2017; Syafiqah et al., 2025). By referring to the theory that explains the role of fundamental analysis in this study, it will emphasize how this approach can influence decisions in investing in stocks and company performance in the eyes of investors. This analysis includes an evaluation of various financial and non-financial aspects of the company, such as financial statements, good corporate governance and the adoption of fintech developed by banking. The results of this fundamental analysis provide investors with in-depth insight into the intrinsic value of a stock, this allows investors to make more informed and strategic investment decisions. Therefore, fundamental analysis not only plays a role in helping investors choose stocks with potential profits, but also in identifying the risks inherent in the investment (Alexander Hery, 2022; Thian, 2022).

According to Gustiansyah & Pratomo (2023), stock returns are how investors make a profit by buying stocks in the past and selling them at a higher price in the present. If a stock is sold at a lower price, it means that the investor loses and the investor experiences a loss. There are two types of stock returns, namely dividends and capital gains (loss). Capital gains are one of the main considerations for investors in choosing stocks, because they can

provide significant benefits in the long term. As for profitability as one of the indicators that affects stock returns, because this indicator can be used to predict the entity's future profits, which can help investors, creditors, and management in making decisions. According to Dewi et al., (2020) , profitability is a fundamental aspect that is used to measure a company's capacity to achieve profit targets within a certain period of time. In addition, profitability also functions as an indicator of the company's managerial efficiency which is measured based on the profit obtained from sales and capital gains. As one of the main indicators of financial performance, high profitability illustrates the operational efficiency and capacity of the company to create profits. This factor is a major consideration for investors in making investment decisions.

Several studies have shown a positive relationship between profitability and stock returns in the Indonesian banking sector. Dewi et al., (2020) found that profitability as measured by ROA and ROE has a positive and significant effect on stock returns, a finding that was also confirmed by Doralitha et al., (2023) . In addition, Gustiansyah & Pratomo (2023) showed that profitability as measured by ROA has a positive effect on stock returns in the banking sector. Tambun et al., (2024) added that the ROI indicator also affects the level of stock returns. Similar findings were confirmed by (Berggrun et al., 2020; Cakici et al., 2021; Chauhan, 2024; Chue & Xu, 2022; Lim et al., 2024) , who stated that profitability has a positive impact on stock returns across scales and market conditions. Meanwhile, Chue & Xu (2022) found that long-term asset growth can predict stock returns in the next two years, while Chauhan (2024) stated that companies with higher operational profitability tend to have better stock returns.

However, several studies show different results, where profitability actually has a negative or insignificant impact on stock returns. Laulita & Yanni (2022) revealed that profitability as measured by ROA and DER has a negative effect on stock returns in LQ45 companies, possibly due to investor concerns about earnings management that can reduce market confidence. This phenomenon can be seen in the case of PT Envy Technologies Indonesia Tbk (ENVY) which is suspected of manipulating financial reports in 2019, as well as a similar case involving PT Bank KB Bukopin Tbk (BBK) in 2018 (Sandria, 2021) . In addition, Nurazizah et al., (2022) and Rahim et al., (2023) found that although profitability has a positive effect, its impact on stock returns is not significant, mainly due to speculative and non-analytical investment behavior. Cakici et al., (2021) also stated that profitability is less reliable as a major factor in determining stock returns, because its influence depends on geographic regions and certain time periods. Therefore, further research is still needed to understand other factors that can moderate the relationship between profitability and stock returns, such as macroeconomic conditions and market sentiment. (Fernando & Setiawan, 2021)

The financial and banking industry in the digital era is undergoing a major transformation with increasing investment in technology, especially in the fintech sector. The COVID-19 pandemic and business digitalization have accelerated the adoption of fintech in Indonesia, with 136 fintech companies registered as of January 2024 (fintech.id). The collaboration between Bank Rakyat Indonesia (BRI) and LinkAja, for example, has succeeded in increasing the number of customers and expanding the digital transaction ecosystem (Astutik, 2020) . Fintech plays a role in increasing operational efficiency, accelerating access to credit, and facilitating more inclusive financial services. However, on

the other hand, the growth of fintech credit can suppress the profitability of traditional banking, due to the emergence of alternative credit channels that compete with conventional business models (Hodula, 2024). Therefore, the influence of fintech on profitability and stock returns needs to be studied further to understand how this digital transformation can strengthen the competitiveness of the banking sector.

In addition to fintech, good corporate governance (GCG) also plays a role in moderating the relationship between profitability and stock returns. Effective GCG increases transparency, accountability, and investor confidence, which can ultimately strengthen the impact of profitability on stock returns. (Setiawan & Purwanti, 2021) However, weak governance remains a major challenge in Indonesia, as seen in the 1990s economic crisis due to poor audit systems, minimal transparency, and low law enforcement (Nuridah et al., 2023). The IMF, World Bank, and OECD highlight five key principles of GCG, including protection of shareholder rights and transparency of information (Al-Matari et al., 2022). Although the implementation of GCG in Indonesia is still lagging behind that of other ASEAN countries, large banks included in the top 50 ASEAN have demonstrated better governance systems (Ramli & Setiany, 2021). With increasing awareness of the importance of GCG, companies that implement good governance principles tend to have more stable performance and more attractive stock returns for investors.

Choosing the right stocks in 2024 does not only depend on performance in the previous year, but also requires a deep understanding of the factors that influence stock returns. (Nicholas & Setiawan 2024). Profitability remains the main indicator, but its relationship with stock returns can be strengthened through the moderation of financial technology (FinTech) and good corporate governance (GCG). FinTech contributes to increasing efficiency and expanding market reach, while GCG plays a role in building investor confidence in company management. This study examines various previous findings that show a positive, negative, or insignificant relationship between profitability and stock returns, so they are still relevant for further testing. As of June 2024, there were 105 financial sector companies listed on the Indonesia Stock Exchange (IDX), including 47 banks and 58 other financial companies, which were the basis for selecting the research period from 2020 to 2023. Various research results on the relationship between profitability and stock returns, as well as stock price volatility that does not always reflect the company's financial condition, add to the complexity in understanding the factors that influence stock returns in the capital market.

This study aims to analyze the effect of profitability on stock returns and explore the moderating role of fintech adoption and Good Corporate Governance (GCG) in the relationship. With the increasing development of financial technology, fintech adoption has the potential to increase operational efficiency and market access for banking companies, while good GCG implementation can increase transparency and investor confidence, thereby strengthening the impact of profitability on stock returns. This study also aims to test whether the moderation of these two factors can strengthen or weaken the relationship between profitability and stock returns, considering the results of previous studies that showed mixed findings. By using data from banking companies listed on the Indonesia Stock Exchange (IDX) in the period 2020–2023, this study is expected to provide empirical insights for investors, regulators, and academics in understanding the factors that influence stock returns and the strategic implications of fintech adoption and GCG in the financial industry.

REVIEW OF LITERATURE

The Influence of Profitability on Next Year's Stock Returns

In the study of Doralitha et al., (2023), it was shown that profitability has a significant positive effect on stock returns. This is supported by Berggrun et al., (2020) who stated that profitability affects future stock returns. Based on evidence in Latin America, that profitability has a positive effect on stock returns is supported by the argument that more profitable companies tend to generate higher stock returns in the future. In addition, Natarajan et al., (2020) revealed that profitability has a positive relationship to stock returns. This occurs when the researcher finds that stock returns have a positive correlation to the profitability of the ROA indicator in each period. This is supported by Lim et al., (2024) that increasing profitability has a positive impact on future stock returns. Several previous studies that examined the banking industry in Indonesia also support that profitability has a significant positive impact on stock returns (Dewi et al., 2020); (Gustiansyah & Pratomo, 2023); (Tambun et al., 2024).

However, on the other hand, there are differences in research results in the banking industry by Lailita & Yanni (2022) and Nurazizah et al., (2022). There is a negative influence on profitability on ROA on stock returns revealed by Lailita & Yanni (2022). This occurs because profitability, as measured by ROA and debt-to-equity ratio (DER) has a significant negative effect on stock returns in companies listed on the LQ45. According to Nurazizah et al., (2022) shows that Return on Asset (ROA) has a positive and insignificant effect on stock returns. Several studies also strengthen this, that profitability does not affect stock returns (Cakici et al., 2021) ; (Liu et al., 2023) ; (Rahim et al., 2023). Liu et al., (2023) explain that changes in long-term profitability, namely profitability per 15 months and per 6 months, found no effect on stock returns, but only short-term profitability, namely per 3 months, that there is an effect on stock returns. Therefore, the difference in the results of the study is what makes researchers interested in re-examining the effect of profitability with ROA indicators on future stock returns in banking in Indonesia.

H1: Profitability has an effect on stock returns next year.

FinTech Adoption moderates the effect of profitability on next year's stock returns

The study Wang et al (2023) stated that the development of local FinTech can reduce the impact of the risk of falling stock prices. This was revealed by researchers that the development of FinTech can reduce the risk of falling stock prices by preventing management from hiding bad news and increasing information transparency, especially for non-government companies and companies with poor information environments.

However, on the other hand, there are differences in research results in the banking industry by Carlini et al., (2022) and Nguyen & Dang (2023). Carlini et al., (2022) revealed that FinTech affects bank innovation strategies, and bank investment in fintech companies has a negative impact on stock market returns. This happens when banks invest in young technology-oriented fintech companies; they will get negative returns on higher equity. Nguyen & Dang (2023) also support this, that the development of FinTech results in an increased risk of falling stock prices. Therefore, the differences in the results of these studies are what interests researchers to re-test whether FinTech adoption is able to moderate profitability on future stock returns in banking in Indonesia.

H2: FinTech Adoption is able to moderate the influence of profitability on stock returns next year.

Good Corporate Governance (GCG) moderates the effect of profitability on next year's stock returns

In the study of Khan et al., (2023) revealed that good corporate governance in the distribution of ownership, shareholder orientation, and institutional strength can predict future stock returns. He stated that the corporate governance framework ensures that good governance brings long-term economic discipline into capital allocation decisions, ensuring that capital is maintained and developed, thereby ensuring long-term sustainability for the benefit of all stakeholders. This is supported by Dewri (2022) that good corporate governance also has a positive impact on stock returns. Dewri (2022) explains that introducing GCG (percentage of local and foreign ownership) into company management practices can significantly improve financial performance and continue to generate positive economic value for the company and shareholders in the long term, thereby increasing stock returns.

However, on the other hand, there are differences in the results of research by Pratama et al., (2023) and Siahaan (2021). Pratama et al., (2023) revealed that board independence in banking has a significant positive effect on ROA, while audit committee independence in banking does not have a significant effect on ROA. Siahaan (2021) reinforces this, that GCG in manufacturing companies is unable to moderate the effect of profitability on stock returns, although profitability has a significant positive effect on stock returns. Therefore, the differences in the results of these studies are what interests researchers to re-examine whether GCG is able to moderate profitability on future stock returns in banking in Indonesia.

H3: Good Corporate Governance (GCG) is able to moderate the influence of profitability on stock returns next year.

RESEARCH METHOD

This study used a quantitative method with a causal-comparative approach to analyze the effect of profitability on stock returns and the moderating role of fintech adoption and Good Corporate Governance (GCG) in the relationship. The data used in this study were sourced from the annual financial reports of banking companies listed on the Indonesia Stock Exchange (IDX) for the period 2020–2023. The independent variable in this study is profitability, which is measured using Return on Assets (ROA) and Return on Equity (ROE), while the dependent variable is stock returns.

To test the role of moderation, fintech adoption is measured based on the level of use of financial technology in company operations, while GCG is measured based on the corporate governance index published by each entity or related regulator. The data analysis technique was carried out using the moderation regression method with the Partial Least Squares-Structural Equation Modeling (PLS-SEM) approach, which allows testing direct relationships and interactions between variables. Data processing was carried out with the help of statistical software such as SmartPLS 4. Classical assumption tests were carried out to ensure the validity of the model, while hypothesis testing was carried out to assess the significance of the relationship between variables.

This study uses a purposive sampling technique to select samples of companies that meet certain criteria. The criteria used in determining the sample in this study are as follows:

1. Banking companies in the finance sector listed on the Indonesia Stock Exchange (IDX) for the 2020 – 2023 period.

2. Banking companies that have complete annual financial information and reports from 2020 – 2023 to assist in the research conducted.
3. Banking companies that are not bankrupt, merged or acquired, or delisted.

Table 1.

| Sampling Determination Criteria | | |
|--|--|---------------|
| No | Information | Amount |
| 1. | Conventional Banking is registered with the IDX | 39 |
| 2. | Banks that report complete financial reports and can obtain the data needed for research | (2) |
| | Sample | 37 |
| | Research Year | 4 |
| | Number of Samples | 148 |
| | Data Outliers | (5) |
| | Number of Research Samples | 143 |

Source: Processed by Researchers (2025)

RESULTS AND DISCUSSION

Validity and Reliability Test

Table 2.

Validity Test Results

| Variables | Average Variance Extracted (AVE) |
|----------------------|---|
| Fintech Adoption | 0.557 |
| GCG | 1 |
| Profitability | 1 |
| Future Stock Returns | 1 |
| PRO*FIN | 1 |
| PRO*GCG | 1 |

Source: Processed by researchers (2025)

In Table 2, it can be seen that the AVE value of each variable is above 0.50 so it can be declared valid.

Table 3.

Reliability Test Results

| | Cronbach's Alpha | Composite Reliability |
|----------------------|-------------------------|------------------------------|
| Fintech Adoption | 0.760 | 0.821 |
| GCG | 1 | 1 |
| Profitability | 1 | 1 |
| Future Stock Returns | 1 | 1 |
| PRO*FIN | 1 | 1 |
| PRO*GCG | 1 | 1 |

Source: Processed by researchers (2025)

Table 3 shows that all variables in this study have met the reliability criteria because the composite reliability and Cronbach's alpha values for each variable exceed 0.70.

Table 4.
R-Square Test Results

| | R Square |
|----------------------|-----------------|
| Future Stock Returns | 0.121 |

Source: Processed by researchers (2025)

The results in Table 4 show that the profitability variable is only able to explain 17.7% of the variation in future stock returns; the remaining 82.3% is influenced by other factors outside this research model.

Table 5.
Path Coefficient

| | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T statistics ((O/STDEV)) | P values |
|--------------------------------|----------------------------|------------------------|-----------------------------------|---------------------------------|-----------------|
| ROA -> Stock return | 0.300 | 0.258 | 0.143 | 2,099 | 0.036 |
| fintech -> Stock return | -0.265 | -0.265 | 0.133 | 2.003 | 0.045 |
| gcg -> Stock returns | -0.188 | -0.212 | 0.123 | 1.526 | 0.127 |
| fintech x ROA -> Stock returns | -0.133 | -0.131 | 0.110 | 1.204 | 0.229 |
| GCG x ROA -> Stock returns | 0.290 | 0.213 | 0.395 | 0.734 | 0.463 |

Source: Processed Data (2025)

Table 5 presents the results of the path coefficient analysis of the structural model test (inner model) using the bootstrapping method. This table displays the path coefficient values along with the associated t-statistic and p-values, indicating the relationship between variables in the model. Based on Table 4.8, which presents the results of the path coefficient analysis using the bootstrapping method, it shows that there is 1 direct effect of profitability on stock returns that is statistically significant (the t-statistic value is more than 1.65 and the p-value is less than 0.05) and 2 insignificant moderator variable relationships (the t-statistic value is less than 1.65 and the p-value is greater than 0.05).

The Effect of Profitability on Future Stock Returns

The first hypothesis states that profitability has a positive effect on future stock returns. From the data processing results shown in Table 4.8, it can be seen that the p-value

for the variable Profitability \rightarrow Future Stock Return is $0.036 < 0.05$ with a t-statistic value of $2.09 > 1.65$. Then the original sample result on this influence is 0.300, which means that the direction is positive. So it can be concluded that profitability has a positive effect on future stock returns.

The results of this study are in accordance with previous studies, which argue that profitability has a positive effect on future stock returns (Berggrun et al., 2020; Dewi et al., 2020; Doralitha et al., 2023; Tambun et al., 2024) ; (Lim et al., 2024) ; (Gustiansyah & Pratomo, 2023) ; (Natarajan et al., 2020). Investors use fundamental analysis to evaluate the intrinsic value of a stock by analyzing the underlying economic and financial factors. Profitability is one of the key factors in this analysis. Increasing profitability is a positive signal for investors because it reflects business sustainability with stable cash flow, reducing risk, and increasing trust. Moreover, high profitability indicates potential growth through competitive advantage, efficient management, or in-demand products, which ultimately increases stock value. Profitability also allows companies to distribute dividends, provide additional income for investors, or reinvest to drive further growth, again increasing stock value. Therefore, increasing profitability is an indicator of the financial health and growth potential of a banking company. Investors see this as a positive signal, which increases the demand for the company's shares. This increased demand drives the stock price up, resulting in higher returns for investors.

This is in line with the signaling theory that profitability can act as a positive signal to investors about the company's future prospects. High profitability can indicate that the company has good management, a successful business model, and competitive advantages, all of which can contribute to higher future growth and profitability. This can increase investor confidence and encourage them to buy the company's shares, thereby increasing the stock price and generating higher returns. This theory is also supported by Bandawaty & Nurfitri (2022) that companies with high financial performance will attract investors to invest in the hope of getting high returns, either in the form of dividends or capital gains.

Within the framework of the efficient market hypothesis, higher profitability can be seen as a positive signal about a company's future prospects. This information will be reflected in the current stock price. When a company reports higher than expected profitability, this is considered positive new information. Investors will adjust their expectations about the company's future cash flows, leading to increased demand for shares and higher prices. Although the current stock price reflects higher profitability, this does not mean that future returns will be low. Profitable companies tend to continue to generate strong cash flows, which can support future dividend growth and stock price appreciation. However, it is important to remember that the EMH does not guarantee that profitable companies' stocks will always provide high returns. Stock prices are also influenced by a variety of other factors, including macroeconomic conditions, market sentiment, and company-specific risks. Investors should consider all of these factors when making investment decisions. In conclusion, the efficient market hypothesis of higher profitability can lead to higher future stock returns, but there is no guarantee. An efficient (strong-form) market will quickly reflect new information about profitability in stock prices, so investors should focus on fundamental analysis and risk management to achieve their investment goals.

The theoretical motivation for the positive effect of profitability on stock returns can probably be traced to the dividend discount model (Berggrun et al., 2020). This theoretical

motivation can be explained by the fact that more profitable firms, all else being equal, will generate higher stock returns because they can pay out more dividends to their shareholders. In addition, firms with lower market values will have higher stock returns because investors pay less for each unit of expected earnings. Conversely, an increase in expected investment, which represents the firm's future growth, will cause a decrease in expected stock returns.

The Effect of Profitability on Future Stock Returns Moderated by Fintech Adoption

The second hypothesis states that fintech adoption moderates the effect of profitability on future stock returns. From the data processing results shown in Table 4.8, it can be seen that the p-value for the variable PRO*FIN -> Future Stock Return is $0.229 > 0.05$ with a t-statistic value of $1.20 < 1.65$. Then the original sample result on this influence is -0.133 , which means that the direction is negative. So it can be concluded that fintech adoption is unable to moderate the effect of profitability on future stock returns.

The results of this study are still inconsistent with previous studies, which argue that fintech adoption can moderate profitability against future stock returns (Wang et al., 2023). In the theory of fintech adoption in banking, the adoption of financial technology is considered an important indicator of innovation and efficiency that can improve bank performance and competitiveness. Fintech adoption allows banks to implement more efficient digital solutions, improve customer service, and optimize operations. However, although fintech adoption can provide a positive signal about a bank's ability to adapt and grow, its impact on stock performance is not always direct or significant, as investors may take into account other factors such as broader market conditions or varying technology implementations in assessing the potential benefits of fintech adoption.

Based on the signal theory, the signal given by fintech adoption may not be strong enough to significantly affect investor expectations. Although fintech adoption can be an indicator of technological innovation and adaptation, investors may not fully appreciate its impact or may be influenced by other external factors, such as economic conditions or variability in fintech implementation, which reduce the effectiveness of the signal in changing the relationship between profitability and stock returns. Therefore, fintech adoption fails to strengthen the relationship between profitability and future stock returns in the context of this study.

The Effect of Profitability on Future Stock Returns is Moderated by Good Corporate Governance (GCG)

The third hypothesis states that good corporate governance (GCG) moderates the effect of profitability on future stock returns. From the data processing results shown in Table 4.8, it can be seen that the p-value for the variable PRO*GCG -> Future Stock Return is $0.463 > 0.05$ with a t-statistic value of $0.734 < 1.65$. Then the original sample result on this influence is 0.290 , which means that the direction is positive. So it can be concluded that GCG is unable to moderate the effect of profitability on future stock returns.

The results of this study are in accordance with previous studies, which argue that good corporate governance (GCG) is unable to moderate profitability on future stock returns (Siahaan, 2021). The results of the study indicate that the stock market has complex dynamics, where investor perceptions of a company are influenced by various factors, and good GCG may be just one of them. In addition, the quality of GCG implementation in the sample companies may not be strong enough or consistent enough to provide a clear positive signal to investors, or there may be other issues within the company that obscure the positive

impact of GCG. Finally, industry-specific characteristics or overall market conditions may have a more dominant influence in determining future stock returns than the company's GCG practices.

In signal theory, the implementation of good GCG should function as a positive signal for investors, indicating transparent, accountable, and shareholder-oriented company management, thereby increasing investor confidence and the potential for future stock returns, especially if the company also has high profitability. However, the results of the study indicate that the positive signal from good GCG is not strong enough to significantly influence investor assessments of the relationship between profitability and future stock returns, indicating the existence of other factors that are more influential in shaping investor perceptions, such as overall market conditions, investor sentiment, or industry-specific dynamics.

In agency theory, good GCG is intended to reduce conflicts of interest between management and shareholders, which is expected to encourage management to make decisions that favor shareholders' interests, thereby increasing company value and stock returns. However, the results of the study show that although GCG is effective in reducing agency conflicts, this does not automatically have a significant impact on how profitability affects future stock returns. Investors seem to consider other factors, such as the company's growth potential or innovation, as more important indicators in determining future stock returns.

CONCLUSION

This study reveals that profitability has a positive effect on future stock returns, indicating that the financial performance of banking companies remains a major factor in determining the value of their shares. Although the adoption of fintech and the implementation of Good Corporate Governance (GCG) are often considered important elements in improving corporate efficiency and transparency, the results of this study indicate that both do not have a significant moderating role in the relationship between profitability and stock returns.

These findings indicate that although fintech adoption can improve operational efficiency and GCG can build investor confidence, both do not directly strengthen or weaken the impact of profitability on stock returns. Thus, investors and stakeholders in the banking industry should continue to make profitability the main factor in making investment decisions, while technology and governance factors can be considered in a broader context. This study also provides implications for regulators and company management to further optimize policies related to fintech and GCG in order to improve the competitiveness and sustainability of the banking sector in the capital market.

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