THE INFLUENCE OF RISK MANAGEMENT AND GROWTH STRATEGIES ON FINANCIAL PERFORMANCE
(Banking on the Indonesia Stock Exchange)

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ABSTRACT

This research examines risk management and growth strategies on the performance of financial the banks are listed on the Indonesia Stock Exchange. The general research objective is to ascertain the effect of risk management and growth strategies on the optimal performance of financial the Indonesian banks. Credit risk management is considered to play a role in minimizing the emergence of bad loans because bank loans have the aim of increasing profits and have triggered the emergence of bad loans in Indonesian banks due to improper management. It is hoped that this research will help improve bank viability, and risk management expected to reduce unemployment, as well as help, prevent the social evils that accompany it. This study uses financial performance as measured by ROA, risk management uses ratio to measure credit risk by Non-Performing Loans (NPL) and the bank's performance ratio to assess bank liquidity in meeting the needs of funds withdrawn by the public in the form of deposits, saving or demand deposits is Loan to Deposit Ratio (LDR) as well as growth strategies. The company's growth strategies are one of the managerial efforts to increase the company's competitive position in the industry. The growth strategies are measured by revenue growth expressed as a percentage. This study uses secondary data, so all data needs are obtained from relevant secondary sources. This test has a sample data of 110 sample data for 5 periods. The technique of analysis used is multiple linear regression using the eViews-9 program. The results showed that risk management as proxied by NPL and LDR as well as growth strategies simultaneously affected financial performance. While partially NPL and sales growth have an impact on financial performance. Meanwhile, LDR has no effect on financial performance.

Keywords: Financial Performance, Non-Performing Loan, Loan to Deposit Ratio, Growth Strategies

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1. INTRODUCTION

As clearly known about the activities carried out by banks in a country's financial scheme is very important in economic and financial theory. The banking system provides a medium as a means of withdrawing funds from those with excess and channeled to deficit units. The process of practical financial intermediary between lenders and borrowers is essential for growth and general prosperity. One part of this process is commercial banks. Funds lenders are primarily "households and enterprises". These lenders can provide funds to the final borrowers who are mostly companies, governments, and households; through financial markets consisting of money markets, bond markets and equity markets and through banks and other financial intermediariessuch as money markets, mutual funds, insurance companies and pension funds". This is in accordance with the statement of Anna & Carletti (2006). Thus, one of the main roles of the Bank in the financial system is financial intermediation.

Banks make credit with a system of fractional reserve. The total amount of money that can be created in a fractional inventory system is equal to inventory times the deposit multiplier (Mankiw 2008). Of the many services offered by banks to their customers, one of them is loans. Through this function, banks adhere to three principles that guide the way of they work, namely profitability, liquidity, and solvency (Olokoyo, 2011). The difference between the two interest rates is their profit on deposits is when the banks pay interest on deposits and receives interest on loans. This advantage can only be utilized by the bank if the borrower pays the entire loan. However, it is possible that some of the loans may not be repaid by the borrower. This emphasizes the importance of risk management,

especially credit risk management. According to Uwuigbe & Oyewo (2015), credit risk management is considered to have a role in reducing the emergence of bad loans because bank loans aimed at increasing the level of profitability have led to the emergence of bad loans in Indonesian banks due to the inadequacy of their management.

Banks must face various risks in carrying out their operations. In fact, a bank cannot stay in business if it ignores the credit function (Uwuigbe & Oyewo 2015). In addition, the bank's loan portfolio is one of the various sources of income obtained. The risk of poor or inadequate credit has been considered Achilles Hill for many commercial banks as it is responsible for the increasing proportion of non-performing loans in their loan portfolios. The integration of a good risk management structure is legitimate to commercial bank competition. This proves that accurate risk management is very important for the continuity and competence of the bank.

The function of the uncertainty and complexity associated with the environment that has an important impact on the success of the company is called risk. Business risk will describe a company failure that results in unexpected losses that will be experienced by the company. Business risk is a failure of internal control that results in unexpected losses and the failure of management to ensure returns to the company. If the business risk is high, the company's performance will be low. Risk management seeks to improve the measurement and management of certain risks quantitatively, such as liquidity, leverage, market, financial, solvency and credit risks. The achievement of the growth strategy is achieved by the existence of a variety of interrelated strategies which in time will have an impact on the company's performance in a better direction. The

influence of risk management has a negative impact on company's ability. Risk management is carried out by identifying, calculating, and anticipating and dealing with business risks that may occur so as to minimize risk and optimize performance. (Wahyono, 2005).

The company's growth strategy is a managerial effort to develop the ability of the corporate's position to compete in the industry, growth is considered as one of the keys or benchmarks for the company's success. To implement a growth strategy, it is necessary to plan the type of company growth strategy that is adjusted to the company's market orientation. The growth strategy needs to be arranged in such a way that the company can be achieved through a diversification of strategies that will affect the company's capacity towards a better direction. Therefore, this research examines the impact of risk management and growth strategy on banking capacity on the Indonesia Stock Exchange.

1.1 Research Objectives

This research seeks to confirm the impact of risk management and growth strategy on ideal banking capacity on the Indonesia Stock Exchange. The specific objective is to determine the extent of the influence of banking risk and growth strategy on bank performance on the Indonesia Stock Exchange.

2. LITERATURE REVIEW

2.1 Commercial Loan Theory

The main motive of this theory is that banks should provide loans only in the short term, on their own liquidation basis. This theory is well known among commercial banks because bankers have this idea because it can be paid off in a short time. This theory has several drawbacks. The main drawback is its

compulsion that all loans should be liquidated in the normal course of business; a growth indicating a lack of knowledge about the relative stability of bank deposits. The stability of bank deposits shows that although current accounts are on demand, only a small proportion of depositors often ask for payments at a certain time, unless there is an indication that the bank is a state of threat. The bank allows to lend a small part of their deposits for a sufficiently long period of time without the danger of liquidity if the bank has a stable deposit. The theory of commercial lending despite its shortcomings has persisted in banking and in the minds of many stakeholders in the banking industry its remnants are still finding conformity (Taswan, 2003).

2.2 Credit Risk Theory

Credit risk is the possibility that customers who have been given credit by the bank may not pay on time or may not pay at all (default), (Sanusi, 2010). Primarily, credit risk comes from lenders who lose principal and interest. Conducting extensive credit checks on prospective borrowers to determine their creditworthiness is one way to manage credit risk. This may require an insurance policy from the borrower. In general, the risk is proportional to the interest rate that must be paid by the borrower, this indicates that the higher the credit risk, the higher the interest rate that the borrower will be asked to pay off the debt (Owojori, Akintoye & Adidu, 2011).

2.3. Financial Performance

Various understandings of financial performance. Performance is the determination of certain measures that can measure the success of an organization or company in generating profits (Sucipto, 2003). Meanwhile,

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according to IAI (2007), financial performance is the company's ability to manage and control its resources. Financial performance in the measurement is classified into two, namely financial and non-financial measurements (Sari, 2010). Non-financial performance is a non-financial information medium that emphasizes from the perspective of the quality of assistance to customers as a performance appraisal. While financial performance is measured using financial information. The aspect of success in measuring the performance of a company, especially a bank by assessing the rate of return on assets (ROA) which can be used to assess the condition of bank profitability (Fahlevi & Manda, 2021). The higher of ROA bank, reflects the level of effectiveness in generating profits. ROA can increase if the bank can work efficiently (Hamidah, 2013).

2.4 Financial Risks and Financial Distress

Preventing financial difficulties is the main reason banks need to manage risk, the possible consequences of risk. Banks must be financially viable to be successful in their financial agency business. More than ever, managers have a duty to fulfill their authorities and optimize shareholder prosperity. This is considered important because, the roles of bank to the short-medium-term financial intermediation (becoming an intermediary between loaners and creditors), liquidity shortages can adversely affect their ability to fulfill customer request. Liquidity shortages can trigger financial difficulties, which refers to the bank's incapacity of to meet their financial liabilities to creditors or fulfill them with great difficulty (Arnold, 2008). "Financial distress arises when a bank begins to experience financial problems that may force it to close, merge with another bank, declare bankruptcy, eliminate services, or take

actions that adversely affect a region's financial service delivery system" (Trussel & Patrick, 2009).

The implications of financial difficulties on the bank, are losses; because of the possible prolonged bad implications related by narrowing the margin between cash flow and debt repayment by such financial adversity if it does occur (Ogden, Jen & O'Connor, 2002). Losing of trust, especially if customer suspects that the bank may go bankrupt in a short time, losing of shareholder rate, losing of motivation for labor in problem companies that arises from the increasing sense of labor discomfort at work and the possibility of not feasible progress after the implication of financial distress, or something else.

Financial risk is known to have a significant impact on the stable performance of the banking system. This underlines the necessity "to measure and control the determinants of financial risk, particularly at the aggregate level" (Misker, 2015). Three theories that attempt to explain the effect of financial risk on bank performance are presented below.

Risk Management is based on Bank Indonesia regulation No. 5/8/PBI/2003 is a process and methodology used to identify. Measuring and controlling risks arising from banking activities. In Bank Indonesia regulation No. 11/25/PBI/ 2009 stated that the concept of risk management has 4 aspects, the first is the active inspection of the board of commissioners and directors (Dewi, et al, 2017. The second is policy, procedure, and limit determination. The third is the process of introduction, measurement, observation, credit risk management information system. Fourth is credit risk control. In practice, credit risk is found where the customer is unable to fulfill the agreed payment obligations. Risk management is a set of procedures and methodologies that used

to identify, measure, monitor, and controlling risks arising from the bank's business activities (Hanafi, 2009).

2.5 Non-Performing Loans (NPL)

Risks will be faced in various industries, even banks. One of the risks faced by banks is credit risk which is proxied by Non-performing Loan (NPL) (Abyanta, 2020). This ratio provides information on how the bank's ability to manage non-performing loans faced by banks. So, if the higher the NPL ratio, then the quality of bank credit is more problematic, which can cause the number of NPL to be greater, then the possibility of the bank experiencing unfavorable or bad conditions. Bank Indonesia set the standard by normal percentage at less than 5%. With a ratio below 5%, the Allowance for Active Earnings (PPAP) that must be provided by banks to cover losses caused by non-current productive assets, namely non-performing loans, will be small (Abyanta, 2020).

2.6 Loan to Deposit Ratio (LDR)

The bank performance ratio to assess bank liquidity in meeting the needs of funds withdrawn by the public in form of deposits, savings or demand deposits is the Loan to Deposit Ratio (LDR). In short, LDR a ratio that assesses the possibility of the debtor withdrawing funds from the bank. According to Kasmir (2011), LDR can be interpreted as a ratio to assess the amount of credit granted and equated with the amount of public funds and own capital used. The higher ratio, the lower potential for liquidity of bank, so that the bank may be in a problematic condition. The higher LDR ratio, the higher possibility of bad loans.

2.7 Growth Strategy

Growth strategy is a step in the product life cycle that begins when the company begins to realize the benefits of investing in a product. (Kurtz, 2008).

The growth strategy can be achieved through a diversification of interrelated strategies which in time will have an impact on better banking performance. Houston, et al (2001) stated that business risk on performance is negative. If the business risk is high, then the performance is negative. Risk management is carried out by identifying, calculating, and anticipating as well as dealing with business risks that may occur so as to minimize risk and optimize performance. Banks that have the ability to grow or invest will be more profitable which in turn will affect banking performance. Banking growth informs the existence of growth and is used to see banking growth each year.

2.8 Empirical Overview

Okere, Isiaka and Ogunlowore (2018) investigated "Risk management and financial performance of deposit bank in Nigeria" to ascertain the impact of credit and liquidity risk management on the financial performance of deposit bank in Nigeria. They used data of panel, also analyzed the data by the Hausman test and econometric techniques other. Risk management was observed to be positively correlated by financial performance. According to research by Olusanmi, Uwuigbe and Uwuigbe (2015), the influence of risk management (RM) on the financial performance of banks (FP) in Nigeria." This research uses a design of longitudinal research and secondary data analysis derived from financial statement of sample banks. The technique least squares is commonly used to analyze the data. MR was observed to be not significantly correlated by performance bank. Olaleye and Wan (2016) assessed the article on

commercial bank RM and FP to confirm the correlation between bank RM and FP practices on the industry of banking. In particular, the researcher attempts to analyze the effect of risk management on the financial performance of banks. Their analysis shows that bad risk management hinders the profits, consequently, organizational development. Chukwunulu, et al (2019) studied the effect of risk management on financial performance. They used a design longitudinal and research data were analyzed using the method of least squares. Credit risk was observed to have a significant (negative) effect on return on equity but the negative correlation by return on assets was not significant. Furthermore, management of liquidity and operational risk have no significant impact on performance of bank, but capital adequacy has a significant positive correlation to ROE and not significant to ROA.

Etale and Ujuju (2018) researched "risk management, risk concentration, and bank performance of Deposit Money Banks (DMB)". RM / concentration be measured by using credit risk, liquidity, and capital adequacy, while performance be measured by using ROA. The data sourced from financial statements of listed banks used in the research design. The data were analyzed using the least squares technique. Credit and liquidity risk was observed have an effect significant to bank performance.

Ezelibe and Aniefor (2017) investigated "financial risk management and performance of DMB firms in Nigeria." A design of longitudinal survey was used, and secondary data were derived from the records of the fifteen registered DMB samples. Bank size (BSZ) was used to measure RM, while ROE is used to measure company performance. Data analysis using simple regression technique. It was known that BSZ did not have a significant impact on

ROE of DMB in Nigeria in the research period. Regression analysis also was performed on the data. LDR is known has a significant associated with ROA. CAR and LDR were also known have a significant positive relationship with ROE. NLPR was known have a significant effect on ROE, but NLPR have negative effect on ROE. Thus, the researchers conclude that bank Credit Risk Management has a significant effect on their Financial Performance. Ironkwe and Osaat (2019) researched "risk asset management and FP insurance companies in Nigeria." Secondary data of the appropriate variables were derived from the Nigerian Central Bank database, Return on Assets, Return on Equity and leverage risk were then calculated and used to predict long term and short-term relationships and causality. Multiple regression used to analyze the data. To test stationarity, unit root test was performed. Leverage risk was known to be related significantly with Return on Equity. The results showed that there were inconsistencies with a priori assumptions.

2.9 Hypothesis

Based on the description above, it can be concluded that this research hypothesis is:

H1: Suspected risk management proxied by credit risk (NPL), liquidity risk (LDR), and growth strategy have a simultaneous effect on financial performance

H2: It is suspected that risk management proxied by credit risk (NPL) has an effect on performance finance

H3: It is suspected that risk management proxied by liquidity risk (LDR) has an effect on financial performance

H4: It is suspected that the growth strategy has an effect on financial performance

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3. RESEARCH METHOD

This section presents the research design, measurement of variables, model specifications and data analysis methods

3.1 Variable Measurement

The research variable is a piece of equipment, an object or activity that is determined by the researcher to be studied and then conclusions are drawn (Sugiyono, 2015). Bank's financial performance is measured by Return on Average assets (ROA). Three variable indicators were used; risk indicators and their proxies (ratio) are: Liquidity risk (loans to deposit and current ratio), credit risk (Non-performing loan ratio) and growth strategy (income increase ratio)

3.1.1 Financial Performance

Non-Asset Returns (ROA) how to know successful of company achievement. The more efficient the company works, ROA will be obtained (Fahlevi and Manda et al, 2021). Return on Assets (ROA) used to often by top management to evaluate business units within a company. The formula for ROA as expressed below

$$ROA = \frac{net\ profit\ after\ tax}{total\ assets}\ x\ 100\%$$

3.1.2 Non-Performing Loans (NPL)

The measurement on bank statements is divided into 2, namely net NPL and gross NPL. In this study only focuses on net NPL. Bank Indonesia with a Bank Indonesia Regulation (PBI) stipulates that the risk of non-performing loans (NPL) is 5% (OJK.go.id). NPL can be measured by the following formula (Fahlevi & Manda, 2021).

$$Rasio\ NPL = (Total\ NPL\ /\ Total\ Kredit)\ x\ 100\%$$

3.1.3 Loan to Deposit Ratio (LDR)

The reference in the study to measure the company's financial stability in carrying out its business activities is LDR. LDR is the ratio between the total volume of credit divided by the total number of LDR receipts. LDR can be measured by the following formula (Fahlevi & Manda, 2021).

$$LDR = Total\ Volume\ Kredit\ /\ Total\ Penerimaan\ Dana$$

3.1.4 Growth Strategy

The growth strategy is a managerial effort in increasing the company's ability to improve the banking position to compete in the industry. The variable measurement scale used in this study is a ratio and is expressed in percentages.

$$Growth = \frac{Revenue_t - Revenue_{t-1}}{Revenue_{t-1}}$$

3.2 Objective of the Study

This study seeks the establish which banks in Indonesian Stock Exchange. The population is a longitudinal study of financial performance indicators of banks listed on the Indonesia Stock Exchange. This study only uses secondary data, which is relevant data. The keys information for this study were profit after tax, loans and advances, non-performing loan, total assets, equity, total deposits, current assets, current liabilities and net sales, those allrelated components of financial statements.

3.3 Data Collection Techniques

Bank's companies in Indonesia Stock Exchange period on 2016-2020 as population for this researcher. The study

was conducted by 2 researchers where each researcher performed their respective functions in the implementation of writing. The first author submitted a research proposal which was carried out for 2 months and coordinated with the second author by unifying understanding and applying the data needed in the research.

The nature of this research is descriptive quantitative, namely research that provides a description or description of a data carried out to find out the relationship between the independent variable and the dependent variable. Sources of data taken by means of secondary data, using secondary data as the main data, according to the data needed in this study is a documentation technique, within collection techniques by reading, studying, and analyzing archives or records related to research.

3.4 Population

This study uses an empirical study to see the effect of risk management and growth strategies that affect the financial performance of the bank sub-sector companies from the securities market securities on The Indonesia Stock Exchange. Objective of the study was conducted on bank sub-sector companies in 2016-2020.

3.5 Sampling Method

The sampling technique was purposive sampling. Collecting data in research using documentation. The data used is secondary data taken from the official website of the Indonesia Stock Exchange and the company's official website in the sample.

The sample criteria in these studies are all banks listed on the IDX, using rupiah currency, and having complete data relating to variable measurement. The sample data collected is in the form of financial statements of companies listed on the Indonesia Stock Exchange (Ghozali. 2013).

3.6 Data Analysis Techniques

The analytical technique used in this research is quantitative data analysis, to quantitatively estimate the influence of several independent variables together or individually on the dependent variable. The functional relationship between one dependent variable and the independent variable can be done with multiple regression. The statistical analysis method whose calculations are carried out using Eviews version 9, so that the tests carried out are as follows:

3.6.1 Analysis Descriptive statistical analysis

Descriptive statistical analysis is a process of transforming research data in tabulated form so that it is easy to understand and interpret. The descriptive statistics used in this study are the mean (mean), maximum value, minimum value, and standard deviation. The minimum value is used to explain the smallest amount of data in sample. The maximum value is used to explain the huge amount of data in question. The average value (mean) is used to calculate the average of the relevant data. The standard deviation is used to find out how much the relevant data varies from the average (Ghozali, 2013). The data analysis method will be process with the help of the Eviews application program.

3.6.2 Classical Assumption Test

Normality test. This test shows that a research sample confounding variable has a normal distribution (Ghozali, 2013). In this study, one simple Kolmogrov-Smirnov will be tested using a significance score of 0.05. Data is normally distributed if it is significantly

greater than 00.05. The one-sample K-S test in this study is to declare whether the scores in the sample come from a population that has a normal distribution.

Heteroscedasticity Test. Heteroscedasticity test has purpose to test existence of variance inequiality in the regression model dan whether there is residuality in one observation to another observation. In the other hand the homoscedasticity of variance is a residual from one observation to another, it remains constant. Detection of heteroscedasticity, namely by looking at the presence or absence of certain patterns on the scatterplot graph. According to Ghozali (2013) the basis for decision making.

In term to knowing heteroscedasticity in a regression model is to look at the scatterplot graph and perform the glejser test. The working principle of the heteroscedasticity test using the glejser test is by regressing the independent variable to the absolute residual value or Abs_RES. The basis for making decisions in the heteroscedasticity test using the Glejser test are as follows:
1. If the significance value (Sig.) is greater than 0.05, then the conclusion is there is no heteroscedasticity symptom in the regression model.
2. Otherwise, if the significance value (Sig.) is less than 0.05, then the conclusion is that heteroscedasticity occurs in the regression model.

3.6.3 Hypothesis Test

Multiple Linear Regression Test, Strategic Management of Net Performing Loan (X1) proxy, Loan to Deposit Ratio (X2) proxy management strategy (X2), and growth strategy (X3) affect Financial Performance of ROA proxy (Y)

$$Y = a + b1X2 + b2X2 + b3X3 + e$$

Where:
Y = Financial Performance
A = Constant
b = Regression coefficient
X1 = NPL
X2 = LDR
X3 = Growth Strategies

F test, According to Ghozali (2013)," the F statistical test is used to determine whether all independent or independent variables included in the model have a simultaneous (simultaneous) effect on the dependent or dependent variable." Based on the statistical F test shows that independent variables as a whole independent variables in the research model have a significant effect on the dependent research model have a significant effect on the dependent variable. With a significance level of 0.05 (5%),

$$F = R2k/(1−R2)/(n−k−1)$$

Information:
R = Multiple correlation coefficient
k = Number of independent variables
n = Number of sample members

T test, Partial test is used to explain the effect of each independent variable on the dependent variable (Ghozali, 2013). Partial testing is done by comparing the significant level t of the test results with the significant value used in this study.
T table = (a/2 ; n-k-1)

Where:
t = value of t-count
r = correlation coefficient value
n = number of observation data

4. RESULTS AND DISCUSSION

This study aims to determine the effect of risk management as a proxy for net performing loans and loan to deposit

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ratios and growth strategies on the financial performance of the banking sector listed on the Indonesia Stock Exchange. Based on the results of the study using by EViews 9 in processing the data, then based on the results of the panel data regression selection test, it was concluded that the Random Effect Model (REM) is the right model and will be used for further testing.

In table 1. It is known that the number of observations is 110 during the period 2016 to 2020. The integrity of the financial statements has an average score of 1.333545 with a minimum score of 0.018000 obtained from Bank of India Indonesia Tbk and the maximum

value obtained from Bank Central Asia, Tbk. It is known that Risk Management as proxied by NPL has an average of 1.947252 with the minimum value known from Bank Central Asia and the maximum value known from Bank Sinarmas. Risk Management as proxied by LDR has a score of 2.990400 with the minimum value known from Bank Ganesha and the maximum value obtained from Bank Woori Saudara Indonesia. In sales growth, it shows that the average value 0.065760 with the minimum value known from Bank Capital and the maximum value known from Bank Artos Indonesia.

Table 1 Descriptive Statistic

	ILK	NPL	LDR	GROWTH
Mean	1.333545	1.947252	2.990400	0.065760
Median	1.275500	1.578550	3.029740	0.071705
Maximum	3.134000	8.004400	6.235050	0.436600
Minimum	0.018000	0.000100	0.573750	-0.831310
Sz. Dev.	0.781010	1.364520	0.985471	0.136661
Skewness	0.231993	1.102515	0.058215	-2.194157
Kurtosis	2.379294	5.166267	3.124769	19.09901
Jarque-Bera	2.752560	43.79317	0.133482	1276.162
Probability	0.252516	0.000000	0.935437	0.000000
Sum	146.6900	214.1977	328.9440	7.233580
Sum Sq. Dev.	66.48746	202.9487	105.8557	2.035721
Observations	110	110	110	110

Sample: 2016 2020

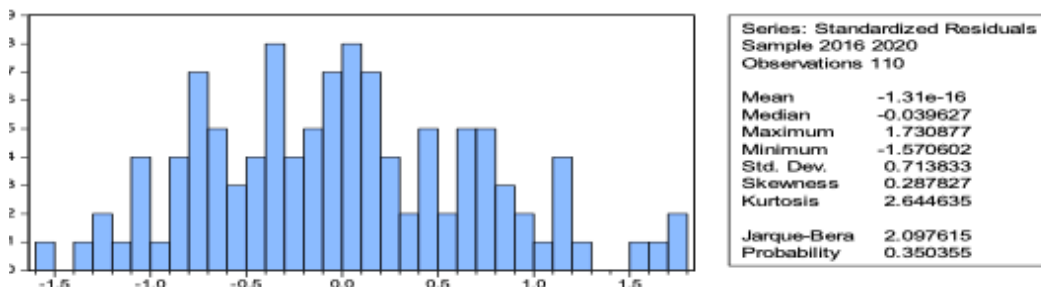## Table 2 Normality Test Results

Table 4.2 the results of the normality test describe the jarque fallow value of

2.097615 and the jarque fallow probability of 0.350355 and a

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significance level of 0.05. Thus, the data is normally distributed.

Table 3 Multicollinearity Test Results

	NPL	LDR	GROWTH
NPL	1.000000	-0.107152	0.051271
LDR	-0.107152	1.000000	-0.017426
GROWTH	0.051271	-0.017426	1.000000

Table 4.3 describe the results of the multicollinearity test that the correlation coefficient between the NPL variable and LDR is -0.107152 and the correlation coefficient for the NPL variable with sales growth is 0.051271 and the correlation coefficient for the LDR variable with sales growth is -0.017426. So, it means the value of the correlation coefficient of all independent variables less than. 0.90, which indicates that the research data is free from the problem of multicollinearity.

Table 4 Heteroscedasticity Test Results

Dependent Variable: RESABS
Method: Panel EGLS (Cross-section random effects)

Sample: 2016 2020
Periods included: 5
Cross-sections included: 22
Total panel (balanced) observations: 110
Swamy and Arora estimator of component variances

Variable	Coefficient	Standard. Error	t-Statistic	Prob.
NPL	-0.025960	0.031835	-0.815453	0.4166
LDR	0.021923	0.040890	0.536149	0.5930
GROWTH	0.265613	0.219496	1.210107	0.2289
C	0.538832	0.158201	3.406004	0.0009
Effects Specification				
			S.D.	Rho
Cross-section random			0.346430	0.6047
Idiosyncratic random			0.280094	0.3953
Weighted Statistics				
R-squared	0.019548	Mean dependent var		0.194264
Adjusted R-squared	-0.008201	S.D. dependent var		0.276932
S.E. of regression	0.278065	Sum squared resid		8.195928
F-statistic	0.704463	Durbin-Watson stat		1.279746
Prob(F-statistic)	0.551425			
Unweighted Statistics				
R-squared	-0.004212	Mean dependent var		0.571308
Sum squared resid	19.72122	Durbin-Watson stat		0.531849

Table 4.4 show the results of the heteroscedasticity test that all variables, namely NPL, LDR and sales growth, show a probability value higher than 5%. It can be concluded that the regression model is free from heteroscedasticity.

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Table 5 Autocorrelation Results

Dependent Variable: ILK
Method: Panel EGLS (Cross-section random effects)
Date: 02/22/22   Time: 15:53
Sample: 2016 2020
Periods included: 5
Cross-sections included: 22
Total panel (balanced) observations: 110
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.856134	0.228264	8.131512	0.0000
NPL	-0.193979	0.042761	-4.536378	0.0000
LDR	-0.067679	0.054247	-1.247603	0.2149
GROWTH	0.874777	0.281875	3.103419	0.0025
Effects Specification				
			S.D.	Rho
Cross-section random			0.632152	0.7589
Idiosyncratic random			0.356274	0.2411
Weighted Statistics				
R-squared	0.217547	Mean dependent var		0.325920
Adjusted R-squared	0.195402	S.D. dependent var		0.397732
S.E. of regression	0.356763	Sum squared resid		13.49166
F-statistic	9.823810	Durbin-Watson stat		1.365298
Prob(F-statistic)	0.000009			
Unweighted Statistics				
R-squared	0.164629	Mean dependent var		1.333545
Sum squared resid	55.54171	Durbin-Watson stat		0.331645

Based on table 5 the results of autocorrelation test above show that the DW value of 1.365298 the value is between -2 to 2, namely the DW value is still between -2 to +2 or -2 < 1.365298 < 2. The result concluded is that there is no autocorrelation in the regression model. Table 5 captured the results of multiple regression analysis of data panel Financial Performance = 1.856134 – 0.193979 – 0.067679 + 0.874777 + e

The results of the probability calculation, signifying with F-statistic level of 0.000009 significant at 0.05. Thus, it means risk management proxied by NPL, LDR and growth strategies simultaneously affects financial performance. It can be concluded that H1 is accepted.

The above equation shows that the t-test results from table 5 produce the effect of NPL on financial performance with a t-count value of 4.536378 and

significance of 0.000 at significant 0,05. Illustrating that risk management as a proxy for NPL has a negative effect on financial performance, so it can be concluded that H2 is accepted. It means that the upper the NPL of a company, but the lowest financial performance of a company. This can illustrate the company's ability to process non-performing loans which will cause the bank's financial condition to be problematic so that investors see the company's poor financial performance.

Risk management proxied by LDR on financial performance with a t-value of 1.247603 and a significance level of 0.2149 so that it is higher than 5%, illustrates that risk management proxied by LDR has no effect on Financial Performance. Then it is concluded that H3 is rejected. LDR does not affect the financial performance of a company can be due to high credit

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distribution in the study period. Where at the beginning of 2020, the entry of COVID-19 in Indonesia resulted in many business units having difficulties in running their business. The high LDR can be seen from the average LDR value of 299% where banks are restructuring their loans. According to Bank Indonesia, the ideal LDR should be 75% to 80%. However, this condition did not make the financial performance of the banking system worse because the banks actually took preventive actions so that not many creditors went bankrupt so that it would be difficult for banks in the following periods.

The effect of growth strategies on financial performance shows the results of the t test of 3.103419 and a significance level of 0.0025 significant at 5%. This illustrates show growth strategy has a positive effect on financial performance, so H4 is accepted. Positive growth illustrates if revenue growth increases, the company's financial performance is getting better. High revenue growth will increase the bank's retained earnings and illustrate the management of managing assets optimally.

5. CONCLUSION & RECOMMENDATION

Conclusion

The results of the research on hypothesis 1, show that risk management as proxied by NPL, LDR and Growth Strategies have a simultaneous effect on financial performance.

The results of the research on hypothesis 2 show that there is inverse effect between risk management and financial performance. Increasing credit risk, as measured by high non-

Performing loans, causes financial performance to decline. This indicates that it can reduce the bank's investment funds and can have implications for reducing the average company assets. Where the funds for lending to the public are decreasing and the net profit of small companies. On the other hand, a low NPL value will increase financial performance, or the risk of bank problem loans will be smaller so that it will have an impact on the company's ability to obtain assets.

The results of the research on hypothesis 3, illustrates that LDR has no effect on financial performance. It is suspected that the high LDR in the study period did not affect the company's financial performance. Considering the research period in 2020 in which creditors were unstable with the entry of the corona virus, banks were restructured for businesses that were impacted by these conditions.

The final test of the research hypothesis 4, show that growth strategy has a positive effect on financial performance. The high revenue growth was driven by the ability of risk management in controlling the company's finances, especially the management of assets.

Recommendation

Banks need to build and design credit strategies to ensure that in the event default or bad credit they can going concern. Besides that, it is important to be aware of and understand Bank Indonesia's credit and liquidity policies.

The institution in charge of regulating the activities of commercial banks must put the mechanism in place to ensure that banks follow with outlined regulatory obligation

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