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The Effect of Self Assessment Good Corporate Governance and Risk Management on Financial Performance

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ABSTRACT

This quantitative study examines the impact of The Self Assessment of Good Corporate Governance and Risk Management, proxied by Credit Risk (NPL), Market Risk (NIM), Liquidity Risk (LDR), and Operational Risk (BOPO), on Financial Performance measured by Return on Assets (ROA). The research utilizes secondary data from 29 conventional banking companies listed on the Indonesia Stock Exchange over a 5-year period, generating 145 observation data points from 2018 to 2022. Data analysis employs Eviews 12 for descriptive statistics, model accuracy tests, classical assumption tests, coefficient of determination (R^2), panel data linear regression analysis, as well as F and t statistical tests. Findings indicate that both GCG and Risk Management variables collectively influence financial performance based on F-test results. Specifically, t-test results reveal that NIM and BOPO variables partially impact financial performance, whereas GCG, NPL, and LDR variables show no partial effects. This research provides valuable insights for investors in making informed investment decisions and serves as a significant reference for future research in this field.

Keywords: *Good Corporate Governance, Risk Management, Financial Performance*

ABSTRAK

Penelitian kuantitatif ini mengkaji dampak penilaian Tata Kelola Perusahaan (GCG) yang Baik dan Manajemen Risiko, yang diproksikan dengan Risiko Kredit (NPL), Risiko Pasar (NIM), Risiko Likuiditas (LDR), dan Risiko Operasional (BOPO), terhadap Kinerja Keuangan yang diukur dengan *Return on Assets* (ROA). Penelitian ini menggunakan data sekunder dari 29 perusahaan perbankan konvensional yang terdaftar di Bursa Efek Indonesia selama periode 5 tahun, menghasilkan 145 titik data observasi dari tahun 2018 hingga 2022. Analisis data menggunakan Eviews 12 untuk statistik deskriptif, uji akurasi model, uji asumsi klasik, koefisien determinasi (R^2), analisis regresi linier data panel, serta uji statistik F dan t. Temuan menunjukkan bahwa baik variabel GCG maupun Manajemen

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Risiko secara kolektif memengaruhi kinerja keuangan berdasarkan hasil uji F. Secara khusus, hasil uji t mengungkapkan bahwa variabel NIM dan BOPO memengaruhi kinerja keuangan secara parsial, sedangkan variabel GCG, NPL, dan LDR tidak menunjukkan pengaruh secara parsial. Penelitian ini memberikan wawasan yang berharga bagi investor dalam membuat keputusan investasi yang tepat dan berfungsi sebagai referensi penting untuk penelitian masa depan di bidang ini.

Kata kunci: Tata Kelola Perusahaan yang Baik, Manajemen Risiko, Kinerja Keuangan

1. INTRODUCTION

The era of globalization brings changes to all aspects, (Stearns, 2016). Companies compete with each other to improve their quality by following developments, including in the banking industry, in this era competition in the banking world is getting tighter. This is because there are many banks operating in Indonesia and people are increasingly selective in choosing banks. High competition will increase the risks faced by banks. To face competition, banks must be able to maintain their performance. Financial performance is one of the main references in measuring whether a company is good or not, where this can be seen from a company's financial reports.

A company's financial performance is measured using three accounting variables, namely return on assets, return on equity, and return on sales, (Nurwulandari, 2020). In this research, financial performance will be proxied by ROA, Return on Assets (ROA) is the ability of capital invested in all company assets to generate profits. ROA shows how much net profit can be obtained from all assets owned by the company. ROA is used to measure a company's effectiveness in generating profits by utilizing the assets it owns. ROA is a measure of a company's effectiveness in gaining profit or profit by maximizing the assets it owns. The level of company effectiveness can be seen by increasing the company's ROA, because the number of profits or profits generated by the company will influence the level of ROA itself. The advantage of using ROA is that it is a comprehensive measurement where everything that affects the financial statements can be reflected. One of the factors that influences ROA is the existence of good corporate governance.

The application of the concept of Good Governance or good corporate governance and Risk Management in Indonesia is expected to improve company performance. Lack of implementation of corporate governance and Management Risk will be the main trigger for various financial scandals, (Admati, 2017). For example, in the case of Bank Bukopin (2020) faced a severe liquidity crisis due to inadequate risk management practices, particularly in managing credit risk and liquidity

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risk. The crisis led to a government intervention to stabilize the bank, illustrating the critical need for effective risk management practices. The financial services authority continues to strive to improve the implementation of GCG and Risk Management in the banking industry. These include improvements made through Self Assessment or internal assessment. This is in accordance with SEOJK No. 13/SEOJK.03/2017 (Implementation of good corporate governance for commercial banks) namely that banks must make a self-assessment on the implementation of GCG in each institution, and Risk Management is a series of methodologies and procedures used to identify, measure, monitor and control risks arising from all bank business activities (POJK Number 18/SEOJK.03/2016). Efforts to implement strong corporate governance and efficient risk management are anticipated to improve company performance, evaluating financial success based on how effectively assets are utilized to generate revenue, (Nugroho, 2021). The relationship between these three elements often centers on how robust governance practices can influence a company's ability to effectively manage risks, thereby potentially improving its financial performance. For instance, strong governance can lead to better risk oversight, ensuring that risks are managed in a way that minimizes negative financial impacts and enhances overall performance, (Malik et al., 2020).

2. THEORETICAL FRAMEWORK AND HYPOTHESIS

Signalling Theory

Signaling Theory explains how individuals or entities use signals or indicators to convey information about qualities or characteristics that are not directly observable by the recipient of the information. In the corporate context, Signaling Theory describes how companies use specific actions to inform investors or the market about the quality of their management and financial prospects. According to this theory, every action conveys information due to information asymmetry (Brigham & Houston, 2006). A reputable company sends clear signals that are valuable for investment decisions, credit assessments, and similar evaluations. These signals may include effective risk management and ongoing improvements in corporate governance practices over time. It is anticipated that positive company disclosures regarding future prospects will ultimately impact both short-term and long-term performance.

Regarding Good Corporate Governance (GCG), companies implementing robust governance practices signal to investors that they operate with transparent, accountable decision-making frameworks that prioritize shareholder interests, (Majoch et al., 2021). This builds investor confidence, as they perceive the company to be well-managed and capable of achieving favorable outcomes. Additionally, in the realm of effective Risk Management, companies with strong risk management frameworks signal to investors their ability to identify, measure, and mitigate risks effectively. This reassures investors of the company's capacity to manage

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significant potential losses and maintain stability across operations and finances.

Investors are more likely to invest with assurance when they trust a company's commitment to strong GCG and effective risk management. This can enhance stock liquidity, lower capital costs, and ultimately boost financial performance by improving access to capital and inspiring market confidence. In summary, Signaling Theory provides valuable insights into how GCG and risk management practices can function as positive signals that bolster investor confidence and contribute to a company's financial success, (Azizah, 2020).

Financial On Perfomance

Financial performance is a description of a company's financial condition in a certain period, both in terms of aspects of raising funds and distributing funds, which are usually measured by indicators of capital adequacy, liquidity and profitability. It can be explained that financial performance is an analysis carried out to see the extent to which a company has implemented financial implementation rules properly and correctly (Fahmi, 2012:2). The better the company's financial performance, the more investors will be interested in it. The more investors invest their shares in the company, the share price will increase. If the share price increases, the value of the company will of course increase, because the value of the share can be seen from the share price.

Good Corporate Governance

Good Corporate Governance comprises a system that regulates and oversees companies to enhance value creation for stakeholders, as outlined in POJK No. 55/POJK.03/2016 and SEOJK No. 13/SEOJK.03/2017, which emphasize the importance of transparency, accountability, responsibility, independence, and fairness in bank governance. Implementing Corporate Governance in public companies is essential for improving performance and corporate reputation. Moreover, this framework is crucial for Indonesian companies to navigate crises effectively and achieve more transparent management practices for stakeholders.

In this study, Good Corporate Governance is assessed through a composite score derived from self-assessment. This assessment evaluates Good Corporate Governance (GCG) based on 11 fundamental values or principles: transparency, accountability, responsibility, independence, fairness, stakeholder interests, sustainability, business ethics, legal compliance, information disclosure, and respect for shareholder rights. The composite GCG score is determined by aggregating scores or weights assigned to each evaluated aspect or principle of GCG, (Nugroho et al., 2023).

Risk Management

Risk Management involves a set of methods and protocols utilized to identify, assess, oversee, and regulate risks originating from all operational activities of a bank. These risks encompass eight distinct categories: credit risk, market risk, operational risk, liquidity risk, legal risk, strategic risk, compliance risk, and reputation risk (SEOJK No. 14/SEOJK.03/2017). Among these categories,

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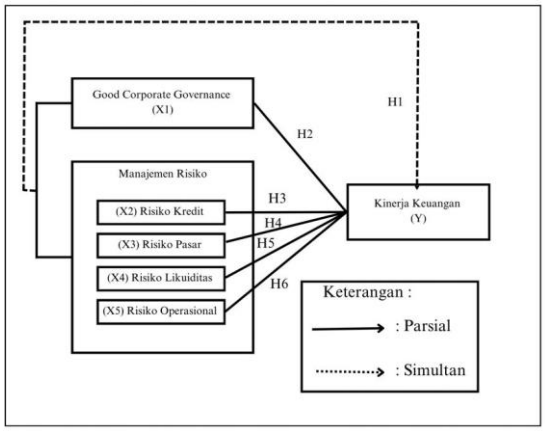
indicators such as credit risk, market risk, liquidity risk, and operational risk are particularly relevant for measurement and application in research, (Fakhira, 2022).

Credit Risk emerges when borrowers or other entities fail to meet their financial obligations to the bank, potentially leading to diminished or lost anticipated income from unpaid loans or investments. Market Risk encompasses fluctuations in the value of company assets due to changes in global or local financial markets, including interest rates, currency exchange rates, and stock prices. Liquidity Risk concerns a company's capability to fulfill impending financial commitments without encountering difficulties in securing adequate funds. Operational Risk involves disruptions in a company's operational workflows, such as errors in systems, technological malfunctions, or failures in management practices.

Proficiently handling these risks through effective risk management is pivotal in mitigating adverse impacts on a company's financial performance, ensuring stability, and optimizing potential earnings.



Picture 1. Research Framework

3. RESEARCH METHOD

The research method used is quantitative. The type of data used is secondary data. The number of companies used as research samples was 29 companies with a research period of 5 (five) years, so 145 observation data were obtained. Data processing using the Eviews 12 and 9 statistical program to analyze descriptive statistics, model accuracy tests, classical assumption tests, coefficient of determination (R^2), linear regression analysis

Table 1 Operational Definitions of Variables

Variables	Operational Definition of	Scale	Indicators

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	Measurement		
Self Assesment Good Corporate Governance (GC)	Self-Assessment Banks must add up the final scores of the eleven factors mentioned earlier to get a composite score. (SE BI No 15/15/DPNP)	Ratio	Composite Value Ratio = Total amount obtained x 100%
Risk Management proxied by Credit Risk (NPL)	The ratio of NPL is 5%, the higher the NPL will result in a decrease in the profit it will receive. (Bank Indonesia Regulation No. 06/10/PBI/2004)	Ratio	NPL Ratio = (non-performing loans: Total loans) x 100%
Risk Management proxied by Market Risk (NIM)	The value of a good and healthy NIM ratio for the average bank is 5%, of course the NIM value of more than 5% will be much better. (BI Regulation No 13/1/PBI/2011)	Ratio	NIM ratio = (Net interest income: average productive assets) x 100%
Risk Management is proxied by Liquidity Risk (LDR)	he minimum limit ratio of LDR is 78% and the maximum limit of LDR is 92%, this is a benchmark for measuring banking health. (BI Regulation No 178 of 2015)	Ratio	LDR Ratio = (Total funds disbursed : Total funds received) x 100%
Risk Management proxied by Operational Risk (BOPO)	Bank Indonesia determines the best number for the BOPO ratio is below 90%. (SE BI Number 6/23/DPNP)	Ratio	BOPO Ratio = (Operating expenses: Operating income) x 100%
Financial Performance (ROA)	ROA value above 1.5% is considered a very good category. (SE BI no 6/23/DPNP).	Ratio	ROA = (Profit Before Tax: Average Total Asset) x 100%

4. DATA ANALYSIS AND DISCUSSION

This study examines the effect of GCG and Risk Management on financial performance. Several studies have found that good corporate governance has an effect on improving performance. This shows that with the implementation of effective good corporate governance, it can encourage the improvement of the bank's performance. In Bambang and Insijiwati's research (2019), Vivie (2020) shows that GCG implementation has a positive effect on financial performance.

Table 2 Statistic Descriptif

Date: 01/26/24 Time: 11:45
Sample: 2018 2022

	ROA	CGC	NPL	NIM	LDR	BOPO
Mean	0.313545	2.055172	0.110133	0.045403	0.937905	5.268458
Median	0.013764	2.000000	0.022789	0.038038	0.856717	2.546056
Maximum	40.54398	4.000000	3.033910	0.350160	4.473010	43.88680
Minimum	0.000397	1.000000	0.001250	0.001844	0.017331	0.100059
Std. Dev.	3.366492	0.453065	0.448161	0.044613	0.565586	7.682273
Skewness	11.89196	0.680606	5.643838	4.446320	3.313970	3.131415
Kurtosis	142.6107	6.547768	34.39430	27.16544	18.57544	13.28586

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Jarque-Bera	121176.6	87.23899	6724.457	4005.911	1731.083	867.1744
Probability	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Sum	45.46403	298.0000	15.96926	6.583491	135.9962	763.9263
Sum Sq. Dev.	1631.991	29.55862	28.92213	0.286601	46.06383	8498.495
Observation	145	145	145	145	145	145

From the results of descriptive statistical analysis in table 2, the following conclusions can be drawn:

1. The results of the descriptive analysis show that the minimum value of the independent variable (GCG) of 4.0 in the bank's Self Assessment Good Corporate Governance composite value classification indicates that corporate governance is not good. The average X1 (GCG) value from the results of descriptive analysis is 2.055172 and the standard deviation or standard deviation value for the variable independent X1 (GCG) is 0.453065.
2. The results of the descriptive analysis show that the minimum value of the independent variable X2 Credit Risk (NPL) is 0.001250. The results of the descriptive analysis show that the highest value for the X2 Credit Risk (NPL) variable is 3.033910. The average value of X2 (NPL) from the results of descriptive analysis is 0.110133 and the standard deviation or standard deviation value for the independent variable X2 (NPL) is 0.448161.
3. The results of the descriptive analysis show that the minimum value of the independent variable X3 Market Risk (NIM) is 0.001844. The results of the descriptive analysis show that the highest value for the X3 Market Risk (NIM) variable is 0.350160. The average value of X3 (NIM) from the results of descriptive analysis, namely 0.045403 and the standard deviation or standard deviation value for the independent variable X3 (NIM) is 0.044613.
4. The results of the descriptive analysis show that the minimum value of the independent variable X4 Liquidity Risk (LDR) is 0.017331. The results of the descriptive analysis show that the highest value for the X4 Liquidity Risk (LDR) variable is 4.473010. The average value of X4 (LDR) from the results of descriptive analysis is 0.937905 and the standard deviation or standard deviation value for the independent variable X4 (LDR) is 0.565586.
5. The results of the descriptive analysis show that the minimum value of the independent variable X5 Operational Risk (BOPO) is 0.100059. The results of the descriptive analysis show that the highest value for the X5 Operational Risk (BOPO) variable is 43.88680. The average value of X5 (BOPO) from the results of descriptive analysis is 5.268458 and the standard deviation or standard deviation value for the independent variable X5 (BOPO) is 7.682273.
6. The results of the descriptive analysis show that the minimum value of the dependent variable Y financial performance (ROA) is 0.000397. The results of the descriptive analysis show that the highest value for the Y variable (ROA) is 40.54398. The average Y value (ROA) from the results of

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descriptive analysis is 0.313545 and the standard deviation or standard deviation

Table 3 Panel Data Regression Model

Model	Chi-Square	Probability	Result
Uji Chow	30.867756	0.3230	Common Effect
Uji Hausman	0.157137	0.9995	Random Effect
Uji LM		0.7838	Common Effect

The results of the conclusions above mean that the best model is the Common Effect model because it can be seen from the LM test which gets a Probability value of 0.7839 which means <0.05 so CEM is selected.

Classic assumption test

According to Dalimunthe (2017), the classical assumption test aims to measure as a parameter whether the regression results carried out meet the good criteria. Make 4 (four) tests, as follows.

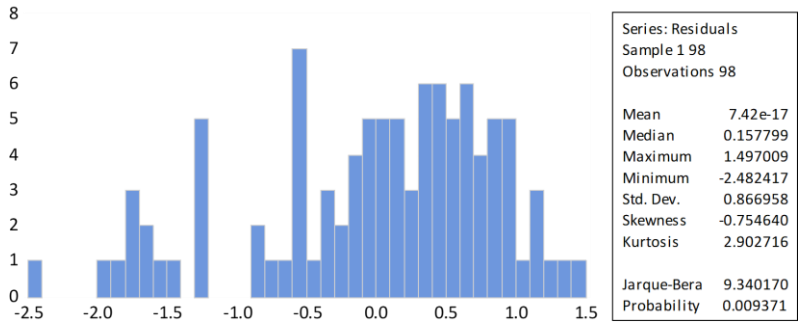

Image 2 Normality Test

It can be seen from the histogram graph above that the Jarque-Bera value is 9.340170 while the probability value is 0.009371 which is smaller than the significance of 0.05. So, it can be concluded that the data in this study is not normally distributed. So, to overcome abnormal data, researchers improved the data by outliering extreme data.

After outliers were carried out on the data, the results of the kurtosis skewness normality test were obtained, as follows:

Table 4 Normality Test After Outlier

	Statictic	Prob.
Skewness	1.331087	0.091580
Skewness 3/5	1.819097	0.034448
Kurtosis	1.339083	0.090272
Normality	1.772013	0.412299

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Based on table 4, the probability is 0.412299. So, it can be concluded that this research model has a normal distribution, because the probability value of 0.412299 is greater than > 0.05.

Table 5 Heterocedasticity Test Result

F-statistic	1.103162	Prob. F(20,77)	0.3642
Obs*R-Squared	21.82644	Prob. Chi-Square(20)	0.3500
Scaled explained SS	18.29997	Prob. Chi-Square(20)	0.5677

Based on table 5 above, it can be seen that the Chi-Square Prob on Obs*R-Squared is 0.3500 > 0.05. So, it can be concluded that this research data is free from heteroscedasticity problems.

Table 6 Multicollinearity Test Result

Variable	Coefficient	Standardize Coefficient	Elasticity at Means
C	-0.006153	-1.17E-28	0.384880
GCG	-0.227044	-0.228055	0.148498
NPL	-0.274106	-0.274273	-0.272001
NIM	0.155804	0.155001	0.055827
LDR	0.242520	0.232033	0.383859
BOPO	0.166845	0.159997	0.299337

Based on table 6 above, it can be seen that the correlation value between independent variables is <0.90 or 90%, so it can be concluded that there is no multicollinearity problem in the research variables.

Table 7 Autocorrelation Test Result

R-squared	0.252949	Mean dependent var	-0.015988
Adjusted R-squared	0.212348	S.D. dependent var	1.003051
S.E. of regression	0.890205	Akaike info criterion	2.664540
Sum squared resid	72.90673	Schwarz criterion	2.822803
Log likelihood	-124.5624	Hannan-Quin criter.	2.728554
F-statistic	6.230178	Durbin-Watson stat	1.231570
Prob(F-statistic)	0.000051		

Based on table 7 above, it can be seen that the Durbin-Watson value is 1.231570. It can be seen that the DW statistical value is located between -2 and +2, namely -2 < 1.231570 < +2, so it can be concluded that there are no symptoms of autocorrelation in this study.

Table 8 Panel Data Regression Analysis Test Result

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Variable	Coefficient	Standardize Coefficient	Elasticity at Means
C	-0.006153	-1.17E-28	0.384880
GCG	-0.227044	-0.228055	0.148498
NPL	-0.274106	-0.274273	-0.272001
NIM	0.155804	0.155001	0.055827
LDR	0.242520	0.232033	0.383859
BOPO	0.166845	0.159997	0.299337

Based on the results of panel data regression testing using the Eviews series 9 data processing application, the following regression equation is obtained:

ROA = -0.006153 – 0.227044GCG – 0.274106NPL + 0.155804NIM + 0.242520LDR + 0.166845BOPO

Table 9 R2 Determination Coefficient Test Result

R-squared	0.252949	Mean dependent var	-0.015988
Adjusted R-squared	0.212348	S.D. dependent var	1.003051
S.E. of regression	0.890205	Akaike info criterion	2.664540
Sum squared resid	72.90673	Schwarz criterion	2.822803
Log likelihood	-124.5624	Hannan-Quin criter.	2.728554
F-statistic	6.230178	Durbin-Watson stat	1.231570
Prob(F-statistic)	0.000051		

Based on table 9 above, the Adjusted R-Squared results obtained are 0.212348 or 21% of the independent variables, namely Good Corporate Governance and Risk Management which are proxied by Credit Risk, Market Risk, Liquidity Risk and Operational Risk which can explain the dependent variable Financial Performance of 21% and the remaining 79% is influenced by other variables outside the research variables.

Table 10 Simultan Test Result

R-squared	0.252949	Mean dependent var	-0.015988
Adjusted R-squared	0.212348	S.D. dependent var	1.003051
S.E. of regression	0.890205	Akaike info criterion	2.664540
Sum squared resid	72.90673	Schwarz criterion	2.822803
Log likelihood	-124.5624	Hannan-Quin criter.	2.728554
F-statistic	6.230178	Durbin-Watson stat	1.231570
Prob(F-statistic)	0.000051		

Based on table 10, the F-Statistics value is 6.230178, showing a probability level of 0.000051 and the F table value is obtained as follows:

n = 98, k = 5 significance level 5%

Calculation of F table

df1 = k – 1 = 5 -1 = 4

df2 = n – k = 98 – 5 = 93

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F table = 2.47

Based on the results of the F test, the calculated F is 6.230178, while the F table with a significance level of 5% is 2.47. So, the calculated F is 6.230178 > 2.54 F table, and the probability is 0.000051 < 0.05, which means it can be concluded that H1 is accepted. This shows that Good Corporate Governance and Risk Management which are proxied by Credit Risk, Market Risk, Liquidity Risk and Operational Risk simultaneously have a significant effect on Financial Performance.

Table 11 Partial Test Result

Variable	Coefficient	Standardize Coefficient	Elasticity at Means
C	-0.006153	-1.17E-28	0.384880
GCG	-0.227044	-0.228055	0.148498
NPL	-0.274106	-0.274273	-0.272001
NIM	0.155804	0.155001	0.055827
LDR	0.242520	0.232033	0.383859
BOPO	0.166845	0.159997	0.299337

Based on table 11, it is known that the first equation obtained by the value (t-count) in the regression shows the influence of the independent variable on the dependent variable. Search t-table with total data (n) = 98; number of variables 5; significant level α = 0.05; df (n-k) = (98 - 5) = 93, so the t-table value is 1.66140.

Based on the results of the data above, the following conclusions can be drawn:

The influence of Good Corporate Governance on financial performance

Based on the results of the research that has been carried out, the second hypothesis (H2) can be concluded that Good Corporate Governance has an effect on Financial Performance. This is proven by the t-count of -2.361783 where the t-count value is greater than the t-table or -2361783 > 1.66140 and the significant value is 0.0203 < 0.05 so that H2 is accepted which means that GCG has a partial effect on financial performance.

This shows that the Company has succeeded in increasing the effectiveness of the Company's revenues in generating profits. Companies that can implement good corporate governance will create added value for their stakeholders. This is in line with the Signaling Theory which explains that a good company will give clear and very useful signals for investment, credit and similar decisions.

The results of this research are in line with previous research conducted by Wirawan & Dwija Putri. (2018) which stated that Good Corporate Governance influences Financial Performance. The application of GCG principles (transparency, accountability, responsibility, independence and fairness) has an influence in improving financial performance. And the results of this research are not in line with previous research conducted by Cahyaningtyas & Sasanti (2019) and Nurhayati et al., (2023) which stated that GCG had no effect on financial

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performance as measured by ROA.

The effect of risk management as proxied by credit risk on financial performance

Based on the results of the research that has been carried out, the third hypothesis (H3) can be concluded that Risk Management which is proxied by Credit Risk (Non-Performing Loans) has an effect on Financial Performance. This is proven by the t-count of -2902409 where the t-count value > t-table or -2902409 > 1.66140 and a significant value of 0.0046 < 0.05 so that H3 is accepted, which means that Credit Risk has a partial effect on financial performance.

This proves that the Company is successful in its operational activities so that it can increase profitability and get a low NPL value, this means the Company has a low number of non-performing loans. This is in line with Signaling theory which will show that the company's performance is stable and becomes a signal for investors to invest in the company.

The results of this research are in line with previous research conducted by Mardiana (2018), Cahyaningtyas and Sasanti (2019) which stated that NPL has a significant effect on financial performance as proxied by ROA. And the results of this research are not in line with Setyarini (2020) who states that NPL is unable to significantly influence ROA

The influence of risk management as proxied by market risk on financial performance.

Based on the results of the research that has been carried out, the fourth hypothesis (H4) can be concluded that Risk Management as proxied by Market Risk (Net Interest Margin) has no effect on Financial Performance. This is proven by the t-count of 1.619144 where the t-count value < t-table or 1.619144 and the significant value is 0.1088 > 0.05 so that H4 is rejected, which means that Market Risk has no partial effect on financial performance.

High Market Risk shows whether the Company is good or bad at generating net interest income. NIM reflects the utilization of productive assets so that it can increase net interest income, but the research results show that market risk has no effect on ROA. This shows that the Company has not maximized its productive assets utilization so that in order to obtain an increased NIM, it is necessary to reduce the cost of funds/interest costs paid by banks to each source of bank funds concerned.

The results of this research are in line with previous research conducted by Monica (2019) which stated that NIM did not have a significant effect on financial performance as proxied by ROA. And research is not in line with Cahyaningtyas & Sasanti (2019) who state that NIM has a significant effect on financial performance.

The effect of risk management as proxied by liquidity risk on financial performance

Based on the results of the research that has been carried out, the fifth

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hypothesis (H5) can be concluded that Risk Management as proxied by Liquidity Risk (Loan to Deposit Ratio) has an effect on Financial Performance. This is proven by a t-count of 2.420136 where the t-count > t-table or 2.420136 > 1.66140 and a significant value of 0.0175 < 0.05 so that H5 is accepted which means Liquidity Risk has an influence partially on financial performance.

LDR reflects the financing provided by banks to their customers compared to the funds collected or incoming. Low liquidity can increase profits so that the company's performance is stable because it has succeeded in channeling funds effectively so that it can be a positive signal for stakeholders.

The results of this research are in line with previous research conducted by this research in line with research conducted by Setyarini (2020) which states that LDR has a positive effect on financial performance. And research is not in line with Cahyaningtyas & Sasanti (2019) who state that LDR has no effect on financial performance.

The effect of risk management as proxied by operational risk on financial performance

Based on the results of the research that has been carried out, the sixth hypothesis (H6) can be concluded that Risk Management as proxied by Operational Risk (Operating Expenses, Operating Income) has no effect on Financial Performance. This is proven by the t-count of 1.722906 where the t-count value < t-table or 1.722906 > 1.66140 and the significant value is 0.0883 > 0.05 so that H6 is rejected which means that Operational Risk has no partial effect on Performance finance.

A high BOPO value indicates that the higher the operational expenses that almost equal or exceed operational income, the lower the bank's profits, which will ultimately have an impact on reducing banking financial performance in both the long and short term. The higher the BOPO ratio, it can be said that the operational activities carried out by the bank are inefficient. Likewise, the lower the BOPO ratio, the more efficient the bank's operational activities will be.

If the BOPO ratio value increases, financial performance as proxied by ROA will decrease and vice versa. The results of this research are in line with previous research conducted by Hidayat (2019) which states that BOPO has no significant effect on financial performance and this research is not in line with Setyarini (2020), Monica (2019) and Mardiana (2018) which state that BOPO has an effect on financial performance.

5. CONCLUSION & SUGGESTION

Conclusion

The primary objective of this study is to assess how Good Corporate Governance and risk management affect the financial performance of conventional banks listed on the Indonesia Stock Exchange from 2018 to 2022. According to the

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study's findings on the effects of Good Corporate Governance and Risk Management represented by Credit Risk, Market Risk, Liquidity Risk, and Operational Risk on financial performance, it can be concluded that both GCG and risk management collectively influence financial performance. Moreover, Good Corporate Governance is found to partially impact financial performance, whereas risk management measured through Credit Risk and Liquidity Risk also demonstrates effects on financial performance. Conversely, risk management represented by Market Risk and Operational Risk shows no significant impact on financial performance.

Suggestion

The results of this research are expected to provide valuable insights and considerations for companies in implementing Good Corporate Governance and effective Risk Management systems. This aims to enhance the quality and efficiency of companies, thereby improving financial performance.

For future researchers can update or extend the research periode, Future researchers can use different measures of Good Corporate Governance, other than the composite score provided by the company and increasing the sample size of companies to achieve more accurate results.

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