THE INFLUENCE OF BANKING RISK MANAGEMENT ON FINANCIAL PERFORMANCE A CASE STUDY OF CORE CAPITAL BANK GROUP DURING AND AFTER COVID-19

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Abstract:

Background: The financial performance of each period plays a crucial role in sustaining the existence of the Core Capital Bank Group, which consists of commercial banks with core capital ranging from < Rp 6 trillion to > Rp 70 trillion. Bank financial performance depends largely on how well banking risk management is implemented,, although financial performance is still below the expectations of commercial banks

Purpose: This study aims to determine the effect of Banking Risk Management on the financial performance of a case study of the Core Capital Bank Group During and After Covid-19.

Design/methodology/approach: Using Eviews 13, this study selects Random Effect Model (REM) to analyze data through a Panel Data Regression Equation, which combines Cross-Section and Time Series data, complemented by descriptive statistical analysis. Data analysis is based on secondary data of Core Capital Commercial Banks with a sample of 14 Banks for the 2020-2024 period with a total of 70 observations.

Findings/Results: The research findings show that financial performance is significantly influenced by both credit risk and operational risk. Operational Risk has the highest influence with a calculated t of -7.74 and a Prob value of 0.000 ($p < 0.05$) followed by Credit Risk with a calculated T of -6.02 and a Prob value of 0.000 ($p < 0.05$). Based on these findings, 2 recommendations are made: 1) Commercial Banks need to manage Credit Risk and Operational Risk so that bank financial performance remains stable. 2) Banks need to tighten their Creditworthiness analysis and the use of Sustainable Standard Operating Procedures.

Conclusion: This study concludes that Credit Risk and Operational Risk are part of Banking risk management in improving the financial performance of Core Capital Bank Groups During and after Covid-19 which focuses on sustainable bank financial performance to foster public trust and long-term value for community stakeholders in banking.

Originality/value (State of the art): This study contributes to the limited empirical literature on the financial performance of Core Capital Bank Groups based on Banking Risk Management during and after Covid-19 to address the challenges of the existence of commercial banks today amidst the rapid business competition in the banking industry in improving performance and providing services to their customers.

Keywords: bank risk management, core capital bank group, financial performance, panel data regression equation, random effect model

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INTRODUCTION

Financial institutions are a vital tool in modern society. Their primary function is to collect funds from the public, distribute them, and purchase goods and services to enable economic growth and development, while improving people's standards of living (Thamrin Abdullah, 2018). Financial systems and institutions play a fundamental role in the economy and society, determining interest rates and the amount of credit granted to finance various economic activities. The banking industry is a vital pillar of a country's economy, accumulating and distributing funds, facilitating financial transactions, and maintaining economic stability.

The General Bank Core Capital group comprises banks with core capital ranging from <Rp 6 trillion to >Rp70 trillion. Based on Table 1, it can be explained that NPL during Covid in 2020 to 2022 had an average percentage of 1.84%, 1.67, and 1.54, still showing a high credit risk trend compared to after Covid in 2023 to 2024, the average percentage was 1.38% and 1.37% even though according to PBI 2011 it was below 5%. Followed by liquidity risk during covid has an average percentage of 83.22%, 79.45% and 80.03% while after covid 84.13% and 87.51% this shows that LDR is still said to be ideal between 80% - 90% (PBI, 2013), market risk (NIM) during covid average percentage of 5.13%, 5.27%, and 5, 33% while after covid percentage of 5.24% and 4.58% NIM percentage <6% (OJK, 2023) which indicates poor financial conditions, further operational risk (BOPO) during covid average percentage of 70.25%, 66.96% and 64.21% and after covid percentage of 64.21 and 65.61% According to (OJK, 2022) BOPO <85% healthy indicates that the bank experienced operational risk during and after COVID-19. Bank financial performance, as proxied by Return on Assets (ROA), during COVID-19 had an average percentage of 1.48%, 1.87%, and 2.21%, and after COVID-19, the average percentage was 2.23% and 2.14%. This average value increased, although after COVID-19, its performance tended to decline.

Based on the data above, conditions during and after the COVID-19 pandemic indicate that core capital banks are experiencing banking risks, with the average risk profile proxy showing a percentage value below the standards set by Bank Indonesia and the Financial Services Authority. This banking risk will impact bank financial performance (ROA).

Research (Cornelia et al. 2021) found that operational risk and market risk significantly influenced profitability before and during the pandemic, meaning that operational risk and market risk significantly impact banking financial performance. Further research (Pardede et al. 2023) stated that Category IV banks were significantly as a result of the COVID-19 pandemic, the sector faced considerable disruptions. Further research (Jamaluddin et al. 2024) found that performance, expressed in terms of profitability, had a significant negative impact on financial health in Category IV banks during the 2020-2021 period. This means that if performance is good, financial risk difficulties decrease, and vice versa. According to (Putri et al. 2022), credit risk and operational risk significantly influence banking performance. However, further review of previous research is needed to update research that comprehensively explains banking risk management and financial performance.

This study uses Banking Risk Management Theory (Risk Profile) and Financial Performance (ROA) as a conceptual foundation to bridge the theoretical gap. The Financial Services Authority Regulation (POJK, 2016), States Banking Risk Management uses a risk profile approach, namely Credit Risk (NPL), Liquidity Risk (LDR), Market Risk (NIM), and Operational Risk (BOPO), while Financial Performance is proxied by ROA (Hutabarat, 2021). Further research periods include the period during and after COVID-19 as a solution to previous research.

To address the problems outlined above, this study aims to achieve the following objectives: Analyze the influence of Banking Risk Management on the financial performance of the Core Capital Bank Group (a case study of the Group) during and after COVID-19; Provide recommendations for Commercial Banks to maintain stable financial performance, tighten creditworthiness analysis**.**

METHODS

This research is a quantitative descriptive analysis using secondary data accessed from the websites of Commercial Bank Companies and the Indonesia Stock Exchange with a population of 47 banks in this study, using purposive sampling of 14 research respondents including Core Capital Commercial Banks listed on the Indonesia Stock Exchange.

Table 1. Average banking risk management data, proxied by NPL, LDR, NIM, and BOPO, as well as financial performance (ROA) during and after Covid-19

Years	ROA	NPL	LDR	NIM	BOPO
2020	1.48 %	1.84 %	83.22 %	5.13 %	70.25 %
2021	1.87 %	1.67 %	79.45 %	5.27 %	66.96 %
2022	2.21 %	1.54 %	80.03 %	5.33 %	64.42 %
2023	2.23 %	1.38 %	84.13 %	5.24 %	64.21 %
2024	2.14 %	1.37 %	87.51 %	4.58 %	65.61 %

For the purpose of this research, data were gathered using documentation using secondary data from bank financial reports for the 2020–2024 period (Five Years). Commercial Bank respondents were determined using a purposive sampling method, which involved the entire population of 47 respondents through the following selection criteria: Commercial Banks listed on the Indonesia Stock Exchange (IDX) for the 2020-2024 period, Commercial Banks Based on Core Capital Groups (KBMI) consisting of KBMI 1, KBMI II, KBMI III, KBMI IV, and selected samples that met the criteria were 14 Commercial Banks KBMI 3 and KBMI 4 with Core Capital ranging from <Rp 6 trillion to >Rp 70 trillion.

The data analysis technique used in this study is analysis using descriptive statistical techniques and Panel Data Regression Equations that combine Cross Section and Time Series data with the selection of the appropriate Model, namely the Random Effect Model (REM) Eviews 13. This approach is to measure the influence of independent variables on dependent variables, by considering unobserved variations, both between individuals (cross-section) and between times (time-series) simultaneously.

The Effect of Credit Risk on Financial Performance (H1)

Sukma et al. (2019) states that credit risk is defined as the risk of loss caused by the party receiving the loan being unable or unwilling to fulfill the obligation to settle the borrowed funds in full on the due date. Credit risk, proxied by the Non-Performing Loan (NPL) ratio, is a financial measure applied to describe the value of credit risk; this ratio explains the ability of bank management to manage non-performing loans. NPL as a measure describes a situation where a bank provides loans to third parties, such as individuals or companies, but they are unable to repay the loans. In research Arini (2023) found that Credit Risk negatively affects

Banking Financial Performance (ROA) before and during the Covid-19 Pandemic. In accordance with risk theory, risk theory provides a framework that can help reduce risks, handle them, and provide a way to regulate society in such a way that serious risks of loss do not occur (Rengga Madya Pranata et al. 2021). Based on these findings, the hypotheses are: H01: Credit Risk does not significantly affect the financial performance of the Core Capital Bank Group Case Study During and After Covid-19. Ha1: Credit Risk significantly affects the financial performance of the Core Capital Bank Group Case Study During and after Covid-19.

The Effect of Liquidity Risk on Financial Performance (H2)

Liquidity risk emerges when a bank struggles to access sufficient cash flow or high-quality liquid assets to cover its due payments, without negatively affecting its operational or financial stability (Desiko, 2020). Liquidity risk, proxied by the Loan-to-Deposit Ratio (LDR), is measured by comparing the amount of credit extended to third-party funds. Furthermore, research (Arini, 2023) found that before Covid-19, banking financial performance is positively and significantly influenced by liquidity risk. After the pandemic, liquidity risk results remained significantly positive on banking financial performance. Noor (2023) while earlier research showed no measurable impact of liquidity risk on financial performance in periods before and after COVID-19, a clear positive effect emerged during and immediately following the pandemic.

Based on these findings, the hypothesis is: H02: Liquidity Risk does not significantly influence the financial performance of the Core Capital Bank Group Case Study During and After Covid-19. Ha2: Liquidity Risk significantly influences the financial performance of the Core Capital Bank Group Case Study During and After Covid-19.

The Effect of Market Risk on Financial Performance (H3)

In the study Wulandari (2025) that market risk has an impact financial performance of insurance and financial companies on IDX for the 2019-2023 period. through the company's investment value which fluctuations in market prices, interest rates, or prevailing exchange rates can cause these amounts to change. Furthermore, in the study (Diana et al. 2023) it is stated that market risk has an impact on the financial performance of Banking in the InfoBank15 Index Category for the 2017–2022 period. Thus, the higher the NIM, the higher the profits obtained, so that ROA will also be higher. and vice versa. In the study Angeline et al. (2024) that market risk does not have a significant impact on financial performance.

Based on these findings, the hypothesis is: H03: Market Risk does not significantly affect the financial performance of the Core Capital Bank Group Case Study During and After Covid-19. Ha3: Market Risk significantly affects the financial performance of the Core Capital Bank Group Case Study During and After Covid-19.

The Effect of Operational Risk on Financial Performance (H4)

Operational Risk is a risk resulting from inadequacy and/or malfunctioning of internal processes, human error, system failure, and/or external events that affect Bank operations. (OJK_RI, 2016). Based on research Noor (2023) operational risk proxied by the Basic Indicator Approach (LN_KBIA) before, during and after Covid 19 showed no effect on financial performance. Furthermore, in research (Ilahi, 2024) Operational risk was found to negatively influence financial performance of Islamic Banks, implying that higher operational risk diminishes performance, whereas lower operational risk contributes to better financial results.

Based on these findings, the hypothesis is: H04: Operational Risk does not significantly affect the financial performance of the Core Capital Bank Group Case Study During and After Covid-19. Ha4: Operational Risk significantly affects the financial performance of the Core Capital Bank Group Case Study During and After Covid-19.

The Influence of Banking Risk Management on Financial Performance (H5)

Effective risk management in banking can help ensure sound financial performance, protect the interests of depositors and investors sustainably, and maintain the overall health of the banking system. Banking risk management, proxied by credit risk, liquidity risk, market risk, and operational risk, is suspected to significantly impact financial performance. One such indicator is financial performance. Research Diana et al. (2023) found that the implementation of risk management (credit, market, liquidity, and operational) simultaneously impacted financial performance, proxied by ROA, indicating that the bank had successfully implemented risk management. Research (Rahmaa & Nurfauziah, 2022) found that risk management, proxied by NPL, BOPO, LDR, and NIM, had a negative and significant effect on ROA. Based on these findings, the hypothesis is: H05: Banking Risk Management does not significantly affect the financial performance of the Core Capital Bank Group Case Study During and After Covid-19. Ha4: Banking Risk Management significantly affects the financial performance of the Core Capital Bank Group Case Study During and After Covid-19. This study is a study that analyzes financial performance based on the banking risk approach which is classified as analytical research, banking with banking health industry standards, researchers assume that the financial performance of KBMI IV bank is based on the banking risk approach with a composite value of 1 which means that the financial performance of KBMI IV is very good.

The conceptual framework (Figure 1) in this study is based on previous research. Research (Diana et al. 2023) found that the simultaneous implementation of risk management (credit, market, liquidity, and operational) impacted financial performance, as proxied by ROA. By integrating evidence from prior studies, this research investigates the influence of banking risk management on the financial performance of core capital bank groups. Rahma et al. (2022) demonstrated that risk management metrics such as NPL, BOPO, LDR, and NIM have a significant negative impact on ROA. Consequently, a conceptual framework was designed to analyze the effects of risk management during and after COVID-19.
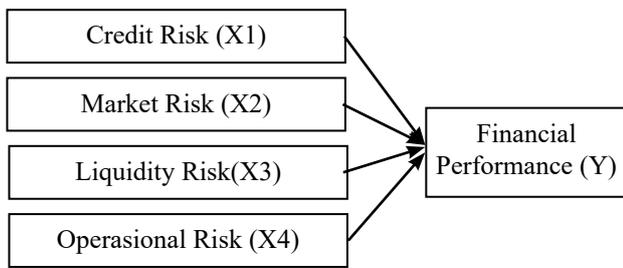
Figure 1. The Conceptual framework

RESULTS

The average value generated by the ROA variable is 1.984 and 0.8955 for its standard deviation. This means that the variation of the ROA value between one value and another is quite variable (Table 2). The minimum and maximum values are 0.5 and 4.2, respectively, which indicates that the ROA used in the study from all companies is responded to well by the market because it has a positive value. The average value generated by the NPL variable is 1.5604 and 0.2324 for its standard deviation. This means that the variation of the NPL value between one value and another is quite varied. The minimum and maximum values are 0.4 and 4.30, respectively, which indicates that the NPL in the study is responded well by the market because it has a positive value. The LDR variable produces an average value of 82.8675. With a standard deviation value of 9.483280, it shows that the variation of the LDR from one to another is less varied. The minimum value of 60,040 and the maximum value of 134.20 indicate that the LDR of all companies used in the study did not have a negative value.

The average value generated by the NIM variable is 5.1092 and its standard deviation is 10.5083. This indicates that the NIM variation between one company and another is less varied. The minimum value of 0.180 and the maximum value of 8.200 indicate that the NIM of all companies used in the study does not have a negative value. The average value generated by the BOPO variable is 66.2902 and its standard deviation is 0.8641. This means that the variation in BOPO values between one value and another is quite varied. The minimum and maximum values are 31.5 and 91.61, respectively, which indicates that the BOPO used in the study from all companies received a good market response because it has a positive value.

In Table 3, it is known that the value of Prob. X^2 in the Chow test is $0.0000 < 0.05$ ($\alpha = 5\%$), then the decision of the selected model is the Fixed Effect Model (FEM). The Hausman test shows the value of Prob. X^2 of 0.1265 > 0.05 ($\alpha = 5\%$), then the decision of the selected model is the Random Effect Model (REM). The Lagrange Multiplier (LM) test shows the value of Prob. $0.000 < 0.05$ ($\alpha = 5\%$), then the decision of the selected model is the REM. From the test above, the conclusion of the model selection in this study using the REM is the best model in estimating the model. Because the selected model is REM, the classical assumption test is not carried out and is continued with the theoretical hypothesis testing.

The influence of Banking Risk Management on financial performance (Table 4) proxied by (ROA) can be written using the following equation:

$$\text{ROA} = 5.9432 - 0.5324 \text{ NPL} + 0.0023 \text{ LDR} + 0.0362 \text{ NIM} - 0.0528 \text{ BOPO}$$

The Effect of Credit Risk (NPL) on Financial Performance (ROA)

From the results of the first hypothesis test (H1), credit risk on financial performance (ROA) H1 is accepted, stated at a significance level of $0.0000 < 5\%$. The results of the hypothesis test show that proxied credit risk (NPL) has a negative impact on financial performance as measured by ROA. The negative impact of non-performing loans indicates that the higher the non-performing loan (NPL) ratio, the lower the bank's income or profit, thus impacting the decline in ROA. The magnitude of the influence of the credit repayment ratio on bank performance requires active supervision by the supervisory board and management regarding the division of tasks between the analytical functions of credit applications, credit reviewers, and credit approval. In granting credit, banks are required to analyze the debtor's ability to fulfill their obligations. Banks must also review, evaluate, and bind collateral to minimize the risk of creditors or debtor default. The test results show that banks have successfully implemented credit risk management so that they can reduce NPL by an average of 1.56%. The NPL value is still below the maximum non-performing loan limit required by BI of 5% so that in carrying out their professional activities, banks can achieve good performance.

Table 2. Descriptive Statistics of Credit Risk (NPL), Liquidity Risk (LDR), Market Risk (NIM), Operational Risk (BOPO) and Financial Performance (ROA)

	ROA	NPL	LDR	NIM	BOPO
Mean	1.9842	1.5604	82.8675	5.1092	66.2902
Maximum	4.22	4.30	134.20	8.200	91.61
Minimum	0.50	0.40	60.04	0.18	31.5
Std. Dev.	0,8955	0,2324	9,4832	10,5083	0,8641
Jarque-Bera	5.1551	4.7985	94.8287	23.4683	7.2506
Probability	0.0760	0.0907	2.5598	8.0152	0.02664
Observations	36	36	36	36	36

Table 3. Results of panel data regression test and decision on selection of research data analysis model

Chow Test		Hausman Test		LM Test	
X^2	Prob X^2	Xr	Prob X^2	Breusch-Pagan	Prob
101.930	0.0000	7.1822	0.1265	48.7135	0.0000
decided:	FEM	decided:	REM	decided:	REM

Table 4. Data on the results of the influence of banking risk management on financial performance

Variabel	Sign	Coefficients	t-statistic	Prob t-statistic
C		5.9432	7.95212	0.0000
NPL (Credit Risk)	Negativ	-0.5324	-6.02082	0.0000
LDR (Likuidity Risk)	Positive	0.0023	0.43077	0.6681
NIM (Market Risk)	Positive	0.0362	0.59067	0.5568
BOPO (Operasional Risk)	Negative	-0.0528	-7.74359	0.0000
Koefisien Determinasi (R^2)		0.5870		
Prob F-statistic		0.0000		

The Effect of Liquidity Risk (LDR) on Financial Performance (ROA)

Based on H2 that liquidity risk has no significant impact on financial performance (ROA), Ho is accepted, this is stated through a significance level of 0.6681> 5%. The results of the hypothesis test say that liquidity risk proposed by LDR does not have a positive impact on bank financial performance through ROA. This finding is in line with research (Noor, 2023) that liquidity risk has no impact on financial performance before and after Covid-19, not in line with research (Arini, 2023) that Liquidity Risk has a significant positive effect on Banking Financial Performance. Bank LDR is high because banks are too dependent on credit disbursed exceeding third-party funds collected. causing high liquidity risk, so that banks suddenly lack funds to meet their obligations and are at risk of failure. Based on Bank Indonesia Regulation No. 15/7/PBI/2013, the LDR ratio has a lower and upper limit of 78% and 93%, respectively, so banks also need to pay attention to the LDR ratio so that it is not too high. If a bank's LDR ratio is too low, the bank will lose the opportunity to make a profit, whereas if the bank's LDR ratio is quite high, this will cause a bank to have a shortage of funds due to the high credit provided, so the bank will have difficulty paying off its short-term obligations which will disrupt its financial performance.

The Effect of Market Risk (NIM) on Financial Performance (ROA)

The hypothesis test (H3) that market risk impacts financial performance (ROA) is (Ho3) accepted, stated through a significance level of 0.5568 > 5%. The results of the hypothesis test show that market risk, proxied by NIM, does not have a positive impact on bank financial performance, proxied by ROA. This study is in line with research (Angeline et al. 2024) that market risk has no significant effect on financial performance. This study is inconsistent with research (Wulandari, 2025) and research (Diana et al. 2023) that states that market

risk impacts banking financial performance. Financial performance through market risk is caused by the value of company investments that can fluctuate due to changes in market prices, interest rates, or prevailing exchange rates.

The Effect of Operational Risk (BOPO) on Financial Performance (ROA)

Based on the hypothesis testing (H4) that has been carried out, it can be concluded that operational risk has an impact on financial performance (ROA), Ha4 is accepted which is stated with a significance level of 0.0000 <0.05. The hypothesis test can be concluded that operational risk caused by BOPO has a negative impact on bank financial performance caused by ROA. This finding is in accordance with research conducted by (Ilahi, 2024) which shows that operational risk has a negative influence on the financial performance of Islamic Banks, and is not in line with research (Noor, 2023) that operational risk proxied by the Basic Indicator Approach (LN_KBIA) before, during and after Covid 19 shows results that have no effect on financial performance. Bank Indonesia Circular Letter No. 15/15/PBI/2013 states that a good BOPO ratio is 50% to 75%, while the maximum BOPO should be 85%. The results show that the average BOPO is 66.29%, where this figure indicates that operational risk has been successfully minimized, because in carrying out its operations the bank is able to optimize costs. The higher the BOPO level, the less efficient the bank's management is in using resources, which causes a decrease in profits and will reduce ROA.

The Influence of Banking Risk Management on Financial Performance

Based on the test results, simultaneously that banking management risk can affect financial performance (ROA) which is stated with a significant level of 0.000 < 5%. The coefficient of determination (R^2) is 0.587, which indicates that 58.70% of the variation in financial performance (ROA) can be explained through a combination of independent variables. The results of the hypothesis test provide results that banking risk management simultaneously impacts the financial performance of the core capital bank group during and Covid-19. This shows that the bank has succeeded in implementing banking risk management as indicated by the average value of: Non-performing loan ratio of 1.56%, still below the maximum limit which is the

BI provision of 5%, NIM of 5.11%, while LDR of 82.87% is higher than the minimum BI provision of 78% and BOPO of 66.29%, this value is still lower than the maximum limit which is the BI of 96%. The bank's success in risk management has an impact on its financial performance as indicated by the ROA value of 1.98%. A positive value indicated by ROA means that the bank is able to provide profits in carrying out its business activities, so that the bank is at a good level based on the criteria for assessing the level of bank health.

Managerial Implications

Managerial Implications The implication for Commercial Banks in the Core Capital group is that bank management must improve the quality of Banking management risk to improve better banking financial performance, so that it can handle financing effectively. Reviewing the results of NPL and BOPO Negative Impact on bank financial performance requires strong risk management practices. To mitigate credit-related problems that Impact Profitability, bank needs to strengten both the credit assessment process and monitoring mechanisms. Additionally Operational Risk represented by the BOPO ratio with compares operating cost to operating incomerequires careful management of costs relative to income to optimize to efficiency, which compares total operating costs with total operating income, taking into account the importance of operating costs relative to operating income (BOPO). Banks should focus on improving operational efficiency to increase profitability. This could include implementing cost-effective technologies, simplifying processes, and improving services to reduce operational risk. Liquidity risk, as measured by LDR, and market risk, as measured by NIM, do not have a positive impact on managerial performance. The impact is that commercial banks must improve management performance in managing cash (liquidity risk) and maximizing bank exposure to changes in asset value (market risk), which ultimately improves managers' ability to make strategic decisions that encourage them to achieve good financial performance again.

The substantial implications for the banking sector highlight the need for policymakers to develop stricter regulations or support systems. Indonesian regulators, such as the Financial Services Authority (OJK), are

therefore urged to continuously monitor credit risk (NPL), operational risk (BOPO), market risk (NIM), and liquidity risk (LDR) to maintain a stable and sustainable financial performance across banks.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

A key objective of this research is to assess the role of banking risk management in shaping the financial performance of core capital bank groups. The study confirms that, as a whole, risk management significantly impacts the banks' financial performance. Effective banking risk management has been proven to positively contribute to bank financial performance. Second, According findings, financial performance declines as a result of increased credit risk and operational risk. This indicates the need for a more mature strategy in managing credit risk to maintain a balance between credit portfolio growth and financial performance. Regarding operational risk, improvements in operational risk management strategies are needed to prevent adverse impacts on bank financial performance.

Third, market and liquidity risks have shown no positive impact on banking financial performance, meaning these two risks can hinder profitability and lead to losses. High liquidity risk can cause banks to struggle to meet their obligations, resulting in loss of income from undisbursed loans or the need to sell assets at a loss. Meanwhile, market risks, such as fluctuations in interest rates and exchange rates, can decrease the value of bank investment assets and reduce overall profits. Furthermore, these results align with previous studies that emphasize the role of banking risk management on financial performance. Several studies, such as those by Diana, Yuliansyah, & Frederich, 2023 and Rahma & Nurfauziah, 2022, demonstrate the importance of banking risk management (credit, market, liquidity, and operational) in simultaneously impacting financial performance. This broadens and reinforces the evidence that banking risk management significantly impacts bank financial performance. These conclusions provide a more comprehensive picture of the role and relationship between banking risk management and financial performance, providing a valuable foundation for more targeted and effective risk management policies in the future.

Recommendations

Based on these findings, the Core Capital Commercial Bank group recommends increasing lending to maximize profits, thereby improving financial performance, as measured by ROA. A more robust credit risk management strategy is needed to maintain a balance between credit portfolio growth and financial performance. Operational risk requires improvements in operational risk management strategies to prevent adverse impacts on banking financial performance. Furthermore, to address market and liquidity risks, banks need to strengthen their internal systems through regular audits, utilize technology, and ensure compliance with regulations to improve the accuracy and efficiency of risk management.

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