ABSTRACT

The credit crisis of 2008 and the recent impact of COVID-19 underscored the importance of managing credit risk and liquidity risk in businesses and financial institutions. The purpose of this study is to determine the impact of credit risk management and liquidity risk on the accounting and market performance of banks operating in Indonesia.

This research uses panel data regression analysis with the population being commercial banks listed on IDX in 2010-2019. By using purposive sampling in selecting the sample, a sample of 41 commercial banks registered on the IDX was obtained for 3 consecutive years (2017 – 2019).

The results showed that credit risk management, namely NPLR and LLPR, had a significant effect on bank accounting performance, while only LLPR had a significant effect on market performance. Liquidity risk management namely FG and LATA are not significant on accounting performance, LATA only has an effect on market performance. However, when banks combine credit risk management with liquidity risk management efforts, liquidity risk management actions return significant results on both performances. In addition, this study examines the combined impact of these two risks on bank performance. This study reveals that accounting and market performance are affected differently by joint risk management efforts. The impact depends on the combination of risk management ratios on which banks choose to focus their efforts.

Keywords: Interaction, Liquidity Risk, Credit Risk, Bank Performance