ABSTRACT

The credit crisis in 2007 and the recent impact of COVID-19 emphasize the importance of managing credit risk and liquidity risk for businesses and financial institutions. The purpose of this study is to analyze the effect of credit risk management, liquidity risk management and the combination of both on the financial performance of banks in Indonesia during the pandemic and post-pandemic COVID-19.

The number of samples in this study was 35 banking companies. Then the method of collecting data through documentation and analyzing data using SPSS which includes classical assumption test, linear regression analysis, F test, and hypothesis testing using t test and R2.

The research results show that credit risk has positif effect on financial performance. Liquidity risk has a negative effect on financial performance. The interaction of credit risk and liquidity risk has no effect on financial performance. The Adjusted R Square value of 0,461 indicates that most of the large variation in financial performance, namely 46,1% can be explained by three independent variables including credit risk, liquidity risk, and the interaction between the two, as well as three control variables, namely operational risk, bank size, and age. bank. The remaining 53,9% of the variation is influenced by several other factors that are not included in the independent variables and control variables. The calculated F value is 12,850 > the F table number is 2,10 with a significance figure of 0.000 < 0.05 (significant) so, this model can be considered for further analysis. Simultaneously, credit risk, liquidity risk, the interaction between the two, operational risk, bank size, and bank age have a simultaneous impact on financial performance.

Keywords: Credit Risk, Liquidity Risk, Credit Risk and Liquidity Risk Interaction, Financial Performance