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The Impact of Financial Risk on Financial Performance: Evidence from Indonesian Banks

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ABSTRACT

The purpose of this analysis is to comprehend the impact of credit risk, liquidity risk, reputation risk, bank size, and financial risk on financial performance. Over the course of the year (2016–2021), data was collected from 35 Indonesian banking companies listed on the Indonesian Stock Exchange. SEM model analysis with STATA is one of the approaches used in data analysis. The study's findings demonstrate that credit risk has no effect on financial performance (EPS and ROE), liquidity risk has an effect on financial performance, reputation risk has no effect on financial performance, and the size of the bank has an effect on financial performance (EPS and ROE). This study is aimed at providing financial managers with information on corporate financial reporting and banking financial performance. Furthermore, financial managers can assess banking risks that may have an impact on a bank's financial performance.

KEYWORD: bank size, banking, credit risk, financial performance, financial risk, liquidity risk, reputation risk.

I. INTRODUCTION

This Companies working in many areas, particularly the banking sector, frequently confront a variety of financial hazards. Risk management is critical to assess in the banking industry because the banking sector has a significant impact on a country's economic progress. As a result, practitioner guidance, government legislation, and scientific research on risk conceptualization, identification, measurement, monitoring, reporting, and management are all evolving. Despite these attempts, the concept of banking risk is not universally accepted. 2020 (Tsionas et al., 2020). Risk is a factor in determining the likelihood of an unpleasant event. Many different categories of risk have been recognized in banking papers. Credit risk, market risk, operational risk, liquidity risk, capital risk, and bankruptcy risk are a few examples.

Despite the fact that numerous financial hazards arise, they can easily reduce or even invalidate society. One is reputation risk, which is a measure of whether a firm can survive in the long run because reputation hazards have a significant impact on the company's public image. However, ideas such as reputation risk do not derive purely from the combination of risk and reputation(Porras-Gomez et al., 2022). Companies with poor financial performance are more likely to disclose reputational risks in their GRI reports.

Credit risk has been the most significant financial risk during the economic downturn. Banks bear risks as a result of the borrower's probable failure to pay or the bank's inability to repay the loan funds issued (Duho et al., 2020). This can result in significant losses and possibly jeopardize the bank's viability. Because banks rely on consumer funds and conduct money circulation in order to profit from bank interest income,

A firm or financial organization faces liquidity concerns when it is unable to meet its financial obligations to pay at a specific time. Liquidity concerns develop when a company's or financial institution's assets are difficult to convert into cash in the required amount (AL-Ardah & Al-Okdeh, 2022). These risks are mostly related to the inability to meet unexpected cash needs, such as when customers withdraw large sums of money or when there is an unanticipated need to repay loans (Rauf et al., 2021).

Inability to satisfy financial obligations can lead to bankruptcy or even the bankruptcies of corporations; therefore, liquidity issues can be a major problem for a company or financial institution. Despite the relevance of reputational risk, contemporary banking studies continue to critique financial risk, particularly credit risk and liquidity risk, as a significant factor negatively influencing traditional bank performance (Butt et al., 2022).

In the financial sector, liquidity risk is frequently regarded as more difficult to manage than other categories of risk. As a result, it is critical for businesses or financial institutions to manage liquidity risks correctly, such as by maintaining adequate cash reserves or managing asset portfolios prudently

and carefully to ensure liquidity adequacy. Financial intermediaries must guarantee that they have enough capital to meet future supplier and lender requirements at a reasonable cost. As a result, the liquidity measure should reflect the opportunity cost of the liquid asset holder in relation to liquidity and loan risk to the bank (Carsamer et al., 2022).

Indonesia's financial performance for 2020–2023 is complicated since it is influenced by a number of factors, including the COVID-19 epidemic, monetary policy, and government budgets, as well as global economic conditions. For analyzing the financial performance of banks, the performance of the banking industry and other financial institutions is increasingly gaining attention. (Zhao et al., 2021) has a substantial influence on the Indonesian economy, with decreasing domestic and foreign demand as well as disruption in global supply networks. This has an impact on the association's economic growth and financial success.

The Indonesian government has attempted a variety of steps to mitigate the impact of the COVID-19 pandemic, including fiscal and monetary stimulus measures and structural reforms. Fiscal incentives include tax breaks, social support, and assistance to industries directly affected by pandemics, such as tourism and transportation. Monetary stimulation is achieved through decreasing interest rates and increasing liquidity. This endeavor is projected to hasten Indonesia's economic recovery and financial performance (Sholihah, 2021).

The study's goals are to examine the impact of credit risk on financial performance, the impact of liquidity risk on economic performance, the relationship between reputation risk and financial outcomes, the impact of reputational risk on financial risks and financial performance, and the effects of reputational risk mediation on financial outcomes.

II. LITERATURE REVIEW

A. *Financial Performance*

Financial performance is the evaluation of a company's, organization's, or individual's financial health (Butt et al., 2022). This comprises financial performance analysis and measurement utilizing pertinent financial data such as financial statements and financial ratios. The goal of financial performance is to establish how well a company can meet its financial responsibilities, make enough profits, and secure the business's long-term viability. Financial performance analysis can also be used to compare an entity's financial performance to that of its competitors, related industries, or industry norms.

B. *Credit Risk*

Credit risk occurs when a party, such as a firm or individual, fails to satisfy its responsibility to pay or settle its debt on time. This risk can develop in financial entities such as banks that provide loans to customers or clients. Economic conditions, changes in monetary policy, interest rates, and the borrower's financial troubles can all have an impact on these risks. According to Berger & Bouwman, (2013) the bank has a good influence since it provides borrowers with liquidity in the form of credit lines and deposits by making cash available on demand. These functions leave banks vulnerable to a systemic surge in lender demand for liquidity and, in the worst-case scenario, can force banks to fail(Shabbir, 2020).

C. *Liquidity Risk*

The danger that an entity, such as a firm or bank, may not have enough cash on hand to pay its due financial obligations or urgent funding needs is known as liquidity risk. Liquidity concerns can also occur when an entity experiences operational or managerial issues, such as challenges controlling cash flows or managing creditors and debtors. According to the study, negative effects on reputation risk make it difficult to define and assess reputation risks because they can occur as a result of other hazards.

According to literary research, there are two ways to estimate reputation. One method of valuing currencies is to use market capitalization, or asset return. Others utilize relative evaluation as intellectual capital in conjunction with other internal performance dashboards and KPIs (Zaby & Pohl, 2019). The study had a negative impact because one of the studies contradicted itself about the presence of reputational risk as a primary or secondary risk. As a result, some banks view reputational risk as a simple (direct) result of reputational risk, whereas others perceive it as a result of other risks and classify it as a secondary risk (Miklaszewska & Kil, 2016).

D. *Reputation Risk*

Reputation risk is the possibility that unfavorable or unwanted actions or events will damage a company's or organization's image or reputation. Inadequate management, inadequate policies, noncompliance with ethical standards, product or service flaws, and unethical actions of workers, members, or business partners can all lead to reputational risk. Customers, investors, lenders, and society as a whole can all be affected by reputation risk, which can have a huge impact on financial institutions.

Banks are intrinsically subject to a wide range of financial risks, including credit and liquidity risks. Both credit and liquidity issues can influence the perspective of associated parties. This impression of trust translates into a risk to the bank's reputation, which can then impair the bank's performance (Abiola & Olausi, 2014). When a credit risk incident results in a negative change in the behavior of the associated parties, it might result in a loss of reputation as a mediator, as this loss far outweighs the direct cost caused by the credit risk incident (Zaby & Pohl, 2019).

E. *Financial Risk*

Financial risk is the likelihood of financial losses as a result of different factors affecting an entity's financial performance. Changes in economic conditions, financial market swings, regulatory changes, changes in operating elements, and a variety of other factors can all have an impact

on an entity's financial state. Unpaid mortgage losses are credit losses, but reputational losses generated by the increased difficulty of obtaining investors can have an impact on a bank's operations.

Similarly, unexpectedly significant withdrawals by depositors with insufficient liquidity Unpredictable and insufficient liquidity creates liquidity risks for banks, which can lead to bank panic, discrediting intermediaries, and bank reputation concerns that are harmful to the entire economy (Adedapo Soyemi et al., 2014).

F. Bank size

A corporation's size can be divided in a variety of ways by the firm. The size of the corporation can be defined as the smallness of the scale observed of the total assets of an enterprise or organization that blends and organizes various resources for the goal of creating products, goods, or services. Larger bank size according to (Nurfitria et al., 2023), boosts bank assets and capital money, which can help geographically grow and develop new service items. Banks benefit from the economy's size and scope as well.

III. CONCEPTUAL FRAMEWORK

Role in investigating managers' risks and the overall impact on the company's performance. Similarly, the study examined the detrimental impact of credit risk management on the performance of conventional banks and Pakistani sharia banks as a result of a high number of NPLs, which put them in serious danger (Saghir & Ch, 2020). There was a negative association between liquidity risk and banking financial performance in a study done by (Ehsan et al., 2022).

Credit risk events create unfavorable changes in the behavior of stakeholders, which can result in a loss of reputation as a mediator because these losses are in addition to the losses directly caused by the credit risk event that causes the bank to lose (Zaby & Pohl, 2019).

also stated that excessive credit freezes are common in crises and might contribute to reputational concerns. Credit and liquidity risks may have an impact on stakeholder perceptions. This sense of trust translates into a bank's reputational risk, which can then impair the bank's performance (Abiola & Olausi, 2014). Bank size can benefit from economic scale and greater diversification, which decrease risks and costs while enhancing bank profitability (Sinha & Sharma, 2016). According to this explanation, the conceptual framework demonstrating the effect of the independent factors on the dependent variable is as follows:

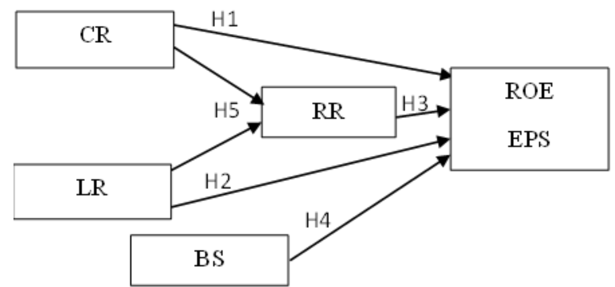

Figure 1. Conceptual framework

IV. HYPOTHESIS

According to several studies, credit risk has a major negative impact on bank financial performance. Berger & Bouwman, (2013) Keep in mind that financial risks are more severe than credit concerns. Furthermore, banks may be vulnerable due to knowledge asymmetry in the loan market. As a result, credit risk has a negative impact since the influence of indirect costs on corporate performance, such as administrative costs and reputation, comes much later, at the end of the fiscal year (Kihooto et al., 2016).

However, when analyzing the risks taken by management and their overall influence on the company's performance, this knowledge asymmetry plays a role. Similarly, the study examined the negative impact of credit risk management on the performance of conventional and Islamic banks in Pakistan as a result of the high percentage of NPLs that put them in trouble.(Saghir & Ch, 2020). As a result, it is expected that rising credit risk will have a negative influence on conventional bank performance. Based on this, the following is the initial hypothesis:

H1. There is an impact of credit risk on financial performance.

Berger & Bouwman, (2013) believe that has a good influence since the bank provides liquidity to lenders in the form of credit lines and deposits by supplying cash on demand. These functions leave banks vulnerable to a systemic surge in lender demand for liquidity and, in the worst-case scenario, can force banks to fail. Shabbir, (2020) discovered a negative link between liquidity risk and bank performance in Pakistan. As a result, it is predicted that higher liquidity risk will have a detrimental impact on conventional bank performance. According to (Ehsan et al., 2022), there is a negative association between liquidity risk and bank financial performance. Based on this, the following is the second hypothesis:

H2. There is an impact of liquidity risk on financial performance.

This study demonstrates the negative impact on reputation risk. shows that reputational risk is difficult to classify and assess since it can occur as a result of other concerns. According to a review of the literature, there are two techniques to assess reputation. One method of monetary

valuation is to use market capitalization or asset returns. Others utilize internal performance scorecards and other indices to assess intellectual capital in a relative manner (Zaby & Pohl, 2019) the negative impact on reputation risk. shows that reputational risk is difficult to classify and assess since it can occur as a result of other concerns.

According to a review of the literature, there are two techniques to assess reputation. One method of monetary valuation is to use market capitalization or asset returns. Others utilize internal performance scorecards and other indices to assess intellectual capital in a relative manner. (Zaby & Pohl, (2019) have created a comprehensive approach to monitoring and controlling reputational risk in banks. This study has a negative impact because one of the studies contradicts the existence of reputation risk as a primary or secondary risk, as some banks regard reputation loss as a result of pure (direct) reputation risks, whereas other banks regard it as a result of other risks and regard it as secondary.

Miklaszewska & Kil, (2016) sought to evaluate reputation risk using SRS as a proxy for reputation hazards measured by bank credit ratings, stock returns, income inflation, and deposit growth. His research demonstrated that natara reputation risk has a favorable impact on financial success. Altaf et al., (2022) sought to evaluate reputation risk using SRS as a proxy for reputation hazards measured by bank credit ratings, stock returns, income inflation, and deposit growth. His research demonstrated that natara reputation risk has a favorable impact on financial success. (Altaf et al., 2022) showed a negative impact since reputation risk is caused by other hazards and human behaviors that harm bank reputation and earnings.

According to the literature on reputation risk, it is difficult to identify and assess reputation risk because it might occur as a result of other hazards. A bank's credit rating shows the credit rating agency's view regarding the bank's potential creditworthiness and readiness to meet its financial obligations in full and on time. As a result, the findings of this investigation were negative. On the basis of this, the third hypothesis is as follows:

H3. There is an impact of reputational risk on financial performance.

The positive relationship between board size and EPS confirms the theory of resource dependence prediction that boards with a high level of links to the external environment will improve enterprise access to a variety of resources, thereby positively affecting enterprise performance (Sheikh et al., 2013). Larger banks, can benefit from economic scale and greater diversification, which decrease risks and costs while enhancing bank profitability (Sinha & Sharma, 2016).

Larger banks, according to (Dietrich & Wanzenried, 2014) have more economic size (improved operational efficiency) and economic scope than smaller banks increased product diversification as well as increased productivity. As a result, expectations have a positive impact on the magnitude of the bank's profitability.

H4. The size of the bank has an impact on financial risk and financial performance.

Banks are predisposed to a wide range of financial risks, including credit and liquidity problems. that the credit risk and the liquidity risk might alter the perception of stakeholders. This sense of trust translates into a bank's reputational risk, which can then impair the bank's performance (Abiola & Olausi, 2014). When a credit risk event causes a negative change in the behavior of stakeholders, it might lead to a loss of reputation as a mediator because this loss exceeds the stakeholder's loss.

When a credit risk event causes a negative shift in the behavior of stakeholders, it can result in a loss of reputation as a mediator, as this loss is greater than the loss directly produced by the credit risk occurrence itself, which causes the bank to lose. (Zaby & Pohl, 2019) also stated that high credit freezes, such as those experienced during a subprime crisis, can result in reputation problems.

Unpaid mortgage losses are credit losses, while losses induced by increased difficulty in attracting investors are reputation losses that might have an impact on bank performance. Similarly, unexpected and large deposit withdrawals, as well as a lack of unforeseen and insufficient liquidity, pose a liquidity risk for banks, causing panic and a loss of the event's reputation as a mediator, resulting in a risk to the bank's reputation that is detrimental to the entire economy (Adedapo Soyemi et al., 2014).

H5. Reputational risk mediation between credit risk and liquidity risk has an impact on financial performance.

V. RESEARCH METHODS

The variables and measurements employed in this study are intended to discover the link between independent and dependent factors. Earnings per share and return on equity are two dependent variables. Shareholder reputation score, non-performing loans, loans-to-deposit ratio, and bank size are among the independent variables. Each of these is quantified as follows:

Table 1. Operationalization of Variables

Variable type	Variable Name	Definition of Operational Variable	Reference
Dependent Variable	Earning Per Share (EPS)	$\frac{\text{Net profit after tax}}{\text{No. of outstanding shares}}$	Butt et al., (2022)
	Return on equity (ROE)	$\frac{\text{Net profit after tax}}{\text{Total shareholder's equity}}$	Butt et al., (2022)
Independent Variable	Shareholder reputation score	Banks credit ratings score + deposit growth + bank stock returns	Butt et al., (2022)
	NPL	$\frac{\text{Non} - \text{performing loans}}{\text{Total loans}}$	Butt et al., (2022)
	Loan to deposit ratio	$\frac{\text{Total loans}}{\text{Total deposits}}$	Butt et al., (2022)
	Bank size	Annual Report	Butt et al., (2022)

Table 2 Show the bank's reputation risk calculation for FY 2016–2021. Because reputation risk is calculated with the help of bank credit ratings and all banks in Indonesia have a fairly good credit rating ranging from AAA to BBB which indicates a bank's stable financial position and good bank credit quality, thus reflecting a good bank reputation in the eyes of the general public and shareholders with improved performance. Variable operationalization is given in Table 1.

This quantitative research makes use of secondary data in the form of financial reports on the time dimension of each conventional bank in Indonesia from 2016 to 2021. There are four independent variables in this analysis: credit risk, liquidity risk, reputational risk, and bank size. Meanwhile, earnings per share and return on equity are distinct metrics. This data was obtained using calculations originating from the Indonesia Stock Exchange and annual reports provided through the bank's website between 2016 and 2021, with 35 banks used as samples between 2016 and 2021, for a total of 210 observations.

Table 2. Sampling Criteria

Information	Amount
Banking population listed on the Indonesia Stock Exchange for six years (2016-2021 period)	47
Sharia banking listed on the Indonesia Stock Exchange for three to six years (2016-2021 period)	(1)
Regional Development Bank listed on the Indonesia Stock Exchange for six years (2016-2021 period)	(3)
Conventional Banking whose data is not complete in financial and annual reports	(8)
Number of research samples	35
Total observation data for the 2016-2021 period	210

VI. RESULTS AND DISCUSSION

Table 3 Aims to see how much influence the independent variables have in explaining the dependent variable. Test this analysis using value adjusted R^2 because the number of independent variables is more than one. The results of the goodness of fit test in this study showed the adjusted R value2in model 1 it is 0.2969, which means that the independent variables (Credit risk, Reputational risk, Liquidity risk, and Bank size) can explain the dependent variable (Earning per share) of 29.69% and the remaining 70.31% is explained by other variables that are not present in the first research model. In model 2 it is 0.0755 which means that the independent variables (Credit risk, Reputational risk, Liquidity risk and Bank size) can explain the dependent variable (Earning per share) of 7.55% and the remaining 92.45% is explained by other variables that are not present in the second research model.

Table 3. Effect of Independent Variables

Variables dependent	R^2	Adjusted R^2
EPS	0.3103	0.2969
ROE	0.0932	0.0755

Table 3 also test whether the independent variable at least one independent variable has a significant influence on the dependent variable with the aim of determining whether the regression model is feasible or not. Based on this research, the probability value F in model 1 is 0.0000 < 0.05 and model 2 is 0.0005 < 0.05 indicating that there is at least one independent variable (Credit risk, Reputational risk, Liquidity risk, and Bank size) which affects the dependent variable (Earning per share and Return on equity).

A. *Descriptive Analysis*

Table 4. Calculation of Reputation Risk (SRS index)

Bank	2016	2017	2018	2019	2020	2021
BBCA	13.2744	13.5703	13.43973	14.38747	14.07167	14.2598
BBRI	13.6738	13.1726	13.5258	13.19067	12.78804	13.1431
BBNI	13.2373	14.0025	13.2824	13.0951	12.8606	13.2307
BBTN	17.4981	18.1365	17.1261	16.2764	15.9517	15.9895
BBKP	16.2205	16.9948	16.1178	16.5161	15.0985	16.9495
AGRO	17.5952	14.4746	14.4165	14.5153	12.5416	14.1869
BJTM	13.2205	13.9948	13.9026	14.7981	14.3479	15.0487
BJBR	19.3004	16.2028	16.6176	16.3070	16.0830	16.1971
BABP	15.1869	14.5758	15.7892	15.9169	16.1931	16.2562
BNGA	15.8371	16.4692	16.7336	16.3457	15.7502	16.3554
BACA	13.1459	13.0158	13.8693	13.9435	14.4113	14.5791
BDMN	14.7706	15.6349	15.0800	16.2031	16.0213	16.4543
BGTG	16.6204	16.0955	16.8874	11.2442	7.1876	7.5331
BNLI	15.6829	15.7034	16.5554	15.9374	15.8597	17.1021
BEKS	11.9675	9.6335	10.9475	10.4926	10.6602	12.1012
BNBA	9.2028	9.2155	9.3932	9.0294	9.0516	8.7476
BNII	17.0310	15.7147	16.8621	15.9978	15.5511	16.3503
BTPN	16.3233	16.0049	16.5533	16.5608	15.9927	16.1687
MCOR	11.7517	12.5969	12.9902	13.9621	13.1595	13.3249
PNBN	4.2433	4.4456	4.2895	4.6452	5.3552	5.2081
BVIC	9.1355	10.2346	9.5342	9.7331	9.5804	10.2328
INPC	10.1075	9.7915	10.2203	11.2294	11.1048	10.7783
BKSW	13.1095	13.2438	13.9545	16.3698	15.7525	15.8545
MEGA	10.8893	11.5467	11.6982	12.8217	12.7642	13.2225
NISP	15.5116	15.1609	15.2741	16.2722	16.2095	16.8891
AGRS	8.0217	9.4416	8.9684	9.6608	8.7127	9.5950
BSIM	13.0235	11.9700	12.5763	11.8014	9.1140	10.4034
BINA	7.8735	10.6882	8.6928	9.6240	9.0115	9.4469
NOBU	8.4666	8.0764	8.6218	7.4113	7.5253	7.6303
MAYA	8.5087	8.1250	8.1296	9.3688	8.7889	9.5946
BMAS	5.8728	6.1787	6.3778	7.2899	7.4583	7.6639
BCIC	21.0735	21.0906	21.6250	19.6579	8.9041	9.1498
SDRA	14.8362	14.9034	15.6567	20.1206	19.8736	19.6984
BBMD	18.0935	18.0353	18.7044	19.0097	18.6729	12.8367

B. *Descriptive Statistics*

Earning Per Share (EPS) has an average value of 112.4428 and a standard deviation of 218.5371. The maximum value of EPS is owned 1158.79PT Bank Central Asia Tbk, and has a minimum value of -246.9049 PT Bank MNC Internasional Tbk.

Return On Equity (ROE) has an average value of 0.0176057 and a standard deviation of 0.2041297. The maximum value of ROE is 0.297851 which is owned PT Bank

Panin Dubai Syariah TBk, and a minimum value of -1.989516 is owned PT Bank Panin Dubai Syariah TBk.

Reputational Risk (RR) has an average value of 13.11576 and a standard deviation of 3.662115. The maximum value of RR is 21,625 owned PT Bank JTrust Indonesia Tbk, and has a minimum value of 4.243294PT bank Pan Indonesia Tbk.

Credit Risk (CR) has an average value of 0.0653895 and a standard deviation of 0.1702982. The maximum value of CR is 1.090658PT East Java Regional Development Bank Tbk, and has a minimum value of 0 PT Bank Nationalnobu Tbk.

Liquidity Risk (LR) has an average value of 0.8539669 and a standard deviation of 0.2787506. The maximum value of LR is 2.149014 which is owned PT Bank Rakyat Indonesia Tbk, and has a minimum value of 0.0338297PT Bank Tabungan Negara Tbk.

Bank Size (BS) has an average value of 17.64826 and a standard deviation of 1.592009. The maximum value of BS is 21.24093 ownedPT Bank Rakyat Indonesia Tbk, and a minimum value of 13.02405 owned PT Bank JTrust Indonesia Tbk.

Table 5. Descriptive Statistics

	EPS	ROE	RR	CR	LR	BS
Mean	112.4428	0.0176057	13.11576	0.0653895	0.8539669	17.64826
Maximum	1158.79	0.297851	21.625	1.090658	2.149014	21.24093
Minimum	-246.9049	-1.989516	4.243294	0	0.0338297	13.02405
Std. Dev.	218.5371	0.2041297	3.662115	0.1702982	0.2787506	1.592009
Observations	210	210	210	210	210	210

Table 6. Path Analysis Model at Indonesian Banks

Variables	Coeff (RR)	P-Value (RR)	P Value Indirect effects	Coeff (EPS)	P Value (EPS)	Information
RR				2.496419	0.483	No significant
CR	0.5586921	0.661	0.710	-65.99972	0.378	Neggative significant
LR	0.987415	0.282	0.557	-99.59244	0.031**	No significant
BS				75.30012	0.000**	Positive Significant

Variables	Coeff (RR)	P-Value (RR)	P Value Indirect effects	Coeff (EPS)	P Value (ROE)	Information
RR				2.496419	0.731	No significant
CR	0.6586921	0.661	0.787	-65.99972	0.749	Negative significant
LR	0.987415	0.282	0.744	-99.59244	0.705	No significant
BS				75.20012	0.000**	Positive Significant

Credit risk Shows a p-Value (EPS) of 0.378 > 0.05, meaning that credit risk has no significant effect on Earning Per Share. As for Credit risk, it shows a P-Value (ROE) of 0.749 > 0.05, meaning that credit risk has no significant effect on Return on Equity. The results of this study conclude that there is an insignificant effect between credit risk on EPS, while credit risk has an insignificant effect on ROE. The EPS coefficient is -65.99972 and the ROE coefficient is -65.99972. The results of this study concluded that there was a negative effect that was not significant. This is in line with the results of research (Shabbir, 2020) which states that there is no significant negative effect between Credit Risk and financial Risk.

Liquidity Risk Shows a p-Value (EPS) of 0.031 <0.05, meaning that liquidity risk has a significant effect on Earning Per Share. While Liquidity Risk shows a P-Value (ROE) of 0.705 > 0.05, meaning that liquidity risk has no significant effect on Return on Equity. The results of this study conclude that there is a significant influence between liquidity risk on EPS and there is no significant effect on ROE. The coefficient of EPS and ROE is -99.59244. The results of this study conclude that there is a significant negative effect of liquidity risk on EPS and not significant on ROE. This is line with the result of study (Ehsan et al., 2022) indicating a negative influence significant relationship between Liquidity Risk and Financial Risk.

Reputational Risk shows a P-Value (EPS) of 0.483 > 0.05, meaning that reputational risk has no significant effect on Earning Per Share. Meanwhile, reputational risk shows a P-Value (ROE) of 0.731 > 0.05, meaning that reputational risk has no significant effect on ROE. The results of this study conclude that there is no significant effect between reputation risk on EPS and ROE. EPS and ROE coefficient is 2.496419. The results of this study conclude that there is a positive influence of liquidity risk that is not significant on EPS and ROE. This is line with the result of study (Altaf et al., 2022) there is no significant positive effect between Reputational Risk and Financial Risk.

Bank size shows a P-Value (EPS) value of 0,000 < 0.05 meaning bank size has a significant influence on earnings per share. Bank size shows a P-Value (ROE) value of 0,000 < 0.05 meaning bank size has a significant impact on ROE. The results of this study conclude that there is a significant influence of the size of the bank on EPS and ROE. The EPS and ROE coefficients are 75.20012. The results of this study conclude that there is a significant positive impact of bank size on EPS and ROE. This is in line with the results of research (Sinha & Sharma, 2016) which indicates that there is a significant positive influence between bank size and financial risk.

Credit risk Shows the P-Value indirect effect value of 0.710 > 0.05, meaning that reputational risk does not mediate and does not have a significant effect on credit risk on Earning per Share. Meanwhile, credit risk shows a P-Value Indirect effect value of 0.787 > 0.05, meaning that reputational risk does not mediate and does not significantly influence credit risk on Return on Equity. The results of this study conclude that there is a non- mediating influence between reputational risk on EPS and ROE. This is in line with the results of the study (Abiola & Olausi, 2014).

Liquidity Risk Shows the indirect effect P-Value of 0.557 > 0.05, meaning reputational risk does not mediate, does not significantly influence liquidity risk on Earning per Share. While Liquidity Risk Shows the P-Value Indirect effect of 0.744 > 0.05, meaning that reputational risk does not mediate, does not significantly influence liquidity risk on return on equity. The results of this study conclude that there is a non-mediating influence between reputation risk on EPS and ROE. This is in line with the results of the study (Abiola & Olausi, 2014).

VII. CONCLUSION

Based on the results of the tests performed, the following conclusions are obtained:

1. Variable Credit Risk has no significant negative effect on Financial Performance
2. Variable Liquidity Risk has a significant negative effect on Financial Performance
3. Variable Reputational Risk has no significant negative effect on Financial Performance
4. Variable Bank Size has a significant positive effect on Financial Performance
5. The Reputational Risk Variable between Credit Risk and Liquidity Risk has no significant mediating effect on Financial Performance

VIII. IMPLICATION

Based on the results of the research that has been done, there are benefits to be gained as implications for financial managers and investors which are taken into consideration in making decisions. Some of the implications obtained are as follows:

A. For Finance Managers

This research is expected to provide information for financial managers related to corporate financial reporting on banking financial performance. In addition, financial managers can also measure banking risks that can affect banking financial performance.

B. For Investors

This research is expected to provide information for investors regarding the company's financial performance for the last 3 years. From this data, it is expected that investors can consider investing in company shares in Indonesia and consider the ongoing banking risks.

IX. LIMITATIONS

Future researchers are expected to be able to enlarge the sample of banks listed on the IDX and use a longer time frame, as well as add other variables. Example Variable Capital Adequacy Ratio (CAR) and Net Interest Margin (NIM). These factors also reflect the performance of a bank and performance banking can effect financial performance (Alexander & Destriana, 2013).

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