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THE INFLUENCE OF RISK GOVERNANCE ON THE PROFITABILITY OF REGIONAL GOVERNMENT-OWNED GENERAL BANKS IN INDONESIA BEFORE AND DURING THE COVID-19 PANDEMIC

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Abstract

In the face of global uncertainty such as the Covid-19 pandemic, the resilience of the banking system becomes a strategic issue, especially for regional government-owned commercial banks that have an important role in regional economic stability. This study aims to examine the effect of risk disclosure, the number of risk monitoring committees, and risk committee activities on bank profitability as measured by Return on Assets (ROA) and Return on Equity (ROE), and to test the differences using the paired sample t-test method for each variable before and during the Covid-19 pandemic. This research method uses a quantitative approach. Hypotheses H1–H6 are tested by regression, while hypotheses H7a–H7e are tested by paired sample t-test. The results of the first regression show that only H1 is accepted, namely risk disclosure has a significant positive effect on ROA (t = 2.525; p = 0.013). However, H2 and H3 are rejected because the Number of Risk Committees and risk committee activities do not have a significant effect on ROA (t = -1.741; p = 0.084 and t = -1.923; p = 0.056). The first regression model has a determination value (R^2) of 0.078, which means that 7.8% of the variation in ROA can be explained by the independent variables. The second regression shows that only H5 is accepted, namely the number of risk committees has a significant positive effect on ROE (t = 2.019; p = 0.045). While H4 and H6 are rejected because risk disclosure and risk committee activities do not have a significant effect on ROE (t = -0.920; p = 0.359 and t = -1.695; p = 0.092). The determination value (R^2) of 0.055 indicates that 5.5% of the variation in ROE is explained by the model. Furthermore, the results of the paired sample t-test showed that only H7c, H7d, and H7e were accepted. Risk committee activity increased significantly during the pandemic (t = -2.048; p = 0.044), and there was a significant decrease in ROA during the Covid-19 pandemic (t = 3.446; p = 0.001) and ROE (t = 4.920; p = 0.000). Meanwhile, H7a and H7b were rejected because risk disclosure (t = -1.000; p = 0.320) and the number of risk committees (t = -1.211; p = 0.230) did not experience significant differences before and during the Covid-19 pandemic. This study provides evidence that risk disclosure and the number of risk monitoring committees contribute to explaining bank profitability, although in general the explained variation is relatively small. This finding highlights the importance of improving the quality of risk governance that is more adaptive in responding to the crisis.

Keywords: ***Risk Disclosure, Number of Risk Committees, Risk Committee Activities, ROA, ROE, Covid-19 Pandemic, Regional Government-Owned Commercial Banks***

INTRODUCTION

The Covid-19 pandemic that lasted for almost 3 (three) years has had a major impact on various aspects of life, not only the social impact on society, but also a significant impact on the national economy. The impact of the pandemic itself is also very broad, in various countries in the world. Even countries with economies that are much stronger than Indonesia's have also experienced the impact of the pandemic. For Indonesia, the Covid-19 pandemic has caused the national economy to decline. Data from the Central Statistics Agency shows that in the second quarter of 2020, the Indonesian economy experienced a slowdown to minus 5.32%. This is also very much felt by the financial services industry, including the banking sector. The financial services sector, which is the locomotive of the national economy, is under pressure, reflected in, among others, the slowing growth of financing/credit, the slowing growth of public fund collection and there are several financial institutions that are experiencing liquidity difficulties and even have to be closed. Banks are becoming very careful in distributing credit/financing due to the increasing potential risk of default.

Several studies conducted, the cause of the bankruptcy of several large banks on a global scale was weak governance. Banks as one of the intermediary institutions should be able to protect the interests of many parties, including the interests of customers, both depositors and borrowers, investors or shareholders, the community and other related stakeholders. Public trust in banking will greatly affect the sustainability of the bank's business, especially for banks that are included in the category of systemic banks. One of the important things to maintain public and stakeholder trust is governance, which is ultimately expected to improve bank performance (Maghfira Dwi Puspita, 2019).

Good risk governance by considering the above aspects is expected to improve bank performance. As mentioned above, one of the expected benefits of governance is increasing stock value (market value), or providing benefits to shareholders/investors, which can be measured through profitability and increasing Bank equity ("return on assets and return on equity"). However, in several previous studies, different results were found regarding the impact of risk governance on bank performance. This may be influenced by various factors, including the type of bank ownership, samples taken, demographics, culture and others.

Based ongap phenomenon during the COVID-19 pandemic, the profitability performance of Regional Development Banks (BPD) in Indonesia experienced significant pressure. According to a report from the Financial Services Authority (OJK), the pressure due to the COVID-19 pandemic was felt by the banking industry, including BPD, which faced a decline in community income and a decline in debtor performance (Banking Policy Research Bulletin, OJK 2021). In addition, a report from the OJK Institute showed that during 2020, credit growth continued to decline until January 2021 to minus 1.90 percent. This decline reflects a condition where banks, including BPD, are reluctant to distribute credit due to the risk of increasing banking Non-Performing Loans (NPL) (OJK Institute Research, 2020).

This research is also to fill**research gap**in literaturethat although various previous studies have shown that risk governance has an influence on bank performance, the findings of these studies still show inconsistencies and limitations. Nahar et al. (2016) found a significant positive correlation between risk governance and bank performance in various countries, while Etika Karyani et al. (2018) found that the risk management structure at the board of directors level had a negative impact on bank profitability, although risk disclosure had a positive impact. Research by Safa Jalali et al. (2021) even places risk governance as a mediating variable, with the result that risk governance can strengthen the influence of governance on performance, but is unable to fully explain the relationship between risk management and the performance of Islamic banks. Research by Mahgfira Dwi Puspita et al. (2019) and Faisal and Novi (2019) in Indonesia shows that the extent of risk disclosure has a positive effect on bank performance, but there are differences in results regarding the role of the number and activities of the Risk Committee. Mahgfira et al. found that risk committee activity (meeting frequency) has a significant impact on bank performance, while Faisal and Novi did not find a significant effect of the number of meetings on bank performance. These differences in results indicate a gap phenomenon in understanding the mechanisms and effectiveness of risk governance, especially in the aspects of structure, disclosure, and risk committee activities on bank performance. In addition, most previous studies still focus on the international and regional contexts, with different approaches, and not many have specifically explored the context of local government banks in Indonesia in depth.

Research conducted by Etikah Karyani, Setio Anggoro Dewo, Wimboh Santoso, and Budi Frensidy (2018) entitled "Risk Governance and Bank Profitability in ASEAN-5: A Comparative and Empirical Study" examines the influence of risk governance structure and disclosure on banking profitability in five ASEAN countries, including Indonesia. This study uses data from 285 banks for the period 2010 to 2014 and measures bank performance using the ROA indicator. Risk governance is measured using an index based on guidelines from the Basel Committee. The results of the study show that overall, risk governance does not have a significant influence on bank performance. In fact, the existence of a risk governance unit at the management level actually shows a significant negative influence on bank profitability. This study also has limitations in terms of the validity of the measurement index and subjectivity in data interpretation. However***novelty***From this research, namely from several previous studies, there has been no research specifically on Regional Government-Owned Banks (BPD) in Indonesia.

FORMULATION OF THE PROBLEM

Based on the Gap phenomenon and research gap regarding the influence of risk governance on bank performance. Several previous studies have found that risk governance has a positive impact on bank performance. However, there are studies that provide different results, with similar research topics. Impact measurement is carried out on the risk governance aspect in the form of voluntary risk disclosure, risk committee, risk committee activities measured through committee meetings will affect the bank's profitability performance, which is depicted from the financial ratios in the form of ROA and ROE. In addition, based on previous studies, there has been no research that

specifically examines the impact of risk governance on the performance of banks owned by local governments. Based on the problems in this study, the following research questions are formulated:

1. How does risk disclosure affect the ROA of regional government-owned commercial banks?
2. How does the number of risk committees affect the ROA of regional government-owned commercial banks?
3. How does the risk committee activity influence the ROA of regional government-owned commercial banks?
4. How does risk disclosure affect the ROE of state-owned commercial banks?
5. How does the number of risk committees affect the ROE of regional government-owned commercial banks?
6. How does the risk committee activity affect the ROE of regional government-owned commercial banks?
7. Are there any significant differences in risk disclosure, number of risk committees, risk committee activities, return on assets, return on equity of regional government-owned general banks before and during the Covid-19 pandemic.

LITERATURE REVIEW

Relationship Between Variables and Hypothesis Development

The Effect of Risk Disclosure on ROA

Agency Theory explains that the separation between owners and managers of a company raises the potential for conflicts of interest due to information asymmetry. Risk disclosure is a means to reduce this conflict by increasing transparency. In the banking context, disclosure of risk information strengthens investor confidence, operational efficiency, and supervision, which ultimately drives increased financial performance, especially ROA. Studies such as Dwipuspita (2019) and Elzahar & Hussainey (2012) support a significant positive effect between risk disclosure and ROA.

Hypothesis 1: Risk disclosure has a positive effect on the ROA of regional government-owned commercial banks.

The Effect of the Number of Risk Committees on ROA

The number of risk committee members reflects a strong and diverse governance structure. From the perspective of Resource Dependency Theory, the diversity of members enriches perspectives, improves oversight, and strengthens decision-making on risk. Studies such as by Alifah & Achmad (2021) and Subramaniam et al. (2009) show that an adequate number of risk committee members can increase the effectiveness of risk management and operational efficiency, which has a positive impact on ROA.

Hypothesis 2: The number of risk committees has a positive effect on the ROA of regional government-owned commercial banks.

The Impact of Risk Committee Activities on ROA

Risk committee activities, such as meeting frequency and involvement in risk management, are important indicators of supervisory effectiveness. Agency Theory states that high committee activity can reduce information asymmetry between management and capital owners. An active committee is able to manage risk proactively and efficiently, which has an impact on financial stability and increased ROA. Research by Pratiwi & Puspitasari (2021) and Ellul & Yerramilli (2013) strengthens this positive relationship.

Hypothesis 3: Risk committee activities have a positive effect on the ROA of regional government-owned commercial banks.

The Impact of Risk Disclosure on ROE

In Agency Theory, risk disclosure not only increases transparency but also reduces uncertainty for investors. In the banking sector, disclosure of market, operational, and other risks shows management's commitment to responsible management. This has the potential to increase shareholder confidence and maximize equity returns reflected in ROE. Thus, risk information disclosure is closely related to the efficiency of shareholder fund management.

Hypothesis 4: Risk disclosure has a positive effect on the ROE of regional government-owned commercial banks.

The Effect of the Number of Risk Committees on Return on Equity (ROE)

Several empirical studies support the positive influence between the number of risk committee members and bank financial performance, including ROE. Research by Dewi and Priyadi (2021) shows that the existence of a larger risk committee plays a role in strengthening risk control and mitigation, which ultimately has an impact on increasing the efficiency of capital use and resulting in higher ROE. Likewise, a study by Heryanto and Sari (2020)

confirms that a risk committee with a proportional number of members is able to increase supervision of financing and liquidity risks, thereby optimizing overall bank performance. A study by Battaglia and Gallo (2015) also confirmed that risk committees with larger structures contribute to improved banking performance, especially in terms of ROE. Similar research by Pathan and Faff (2013) concluded that boards and committees with strong structures and high capacity, including in terms of number of members, can have a positive influence on returns received by shareholders through better risk decision making.

H5: The number of risk committees has a positive effect on the ROE of regional government-owned commercial banks.

The Impact of Risk Committee Activities on Return on Equity (ROE)

Research by Pratiwi and Puspitasari (2021) shows that the more active the risk committee is in carrying out its functions, the greater the impact on increasing the bank's ROE. Intensive committee activities also allow for faster adjustment of financial strategies to changes in the risk environment. Nugraha and Santosa (2020) also emphasized that an active risk committee plays a role in minimizing losses due to non-performing loans, thereby increasing capital efficiency and return value to shareholders.

Strengthened by Ellul and Yerramilli (2013) who proved that banks with strong and active risk committees were able to show superior financial performance compared to banks with less active risk committees, especially in times of uncertainty. Meanwhile, Aebi, Sabato, and Schmid (2012) showed that a well-integrated risk management structure in corporate governance can increase company value and significantly increase ROE, even during a financial crisis. Thus, high risk committee activity is believed to increase the effectiveness of risk supervision and support the achievement of optimal returns on shareholder equity.

H6: Risk committee activities have a positive effect on the ROE of regional government-owned commercial banks.

There are significant differences in risk disclosure, number of risk committees, risk committee activities, return on assets, return on equity.

Based on statistical data and national banking performance data, the Covid-19 pandemic has been proven to have an impact on the financial performance of the national banking industry. This is because it increases the risks faced by the banking industry which have increased significantly during the pandemic, especially in credit risk, considering that almost all sectors have been affected by the Covid-19 pandemic, directly or indirectly. Some sectors that are very affected include the tourism sector, transportation sector, hospitality and entertainment, trade, which ultimately have an impact on other sectors. Several studies have tested the impact of the Covid-19 pandemic on banking performance. One study that examines banking performance during the Covid-19 pandemic is a study conducted by Nuri Maulidia and Putu Prima Wulandari (2021). The study analyzed the performance of conventional government-owned banks listed on the IDX (BUMN), especially during the Covid-19 pandemic. The analysis used is CAMEL (capital, assets, management, equity and liquidity). Based on this study, the asset quality and management factors have decreased, which is reflected in the trend of the non-performing loan ratio data. Meanwhile, the management aspect measured by net profit margin (NPM) also shows a downward trend, although it is still in the "healthy" and controlled category. In such a highly vulnerable macro and micro environment, good governance is needed so that banks can survive and get through difficult times. During a pandemic, good risk management is expected to minimize the risks faced by banks. In a situation like this, it is possible that there will be differences in the impact of risk governance on bank performance, given the potential for higher risks during a pandemic. From this framework, the following research hypothesis is formulated:

H7a: There is a significant difference in risk disclosure before and during the Covid-19 pandemic.
H7b: There is a significant difference in the number of risk committees before and during the Covid-19 pandemic.
H7c: There is a significant difference in risk committee activities before and during the Covid-19 pandemic.
H7d: There is a significant difference in return on assets before and during the Covid-19 pandemic.
H7e: There is a significant difference in return on equity before and during the Covid-19 pandemic.

Theoretical Framework

Based on several references from the literature review, the following is the research framework below..

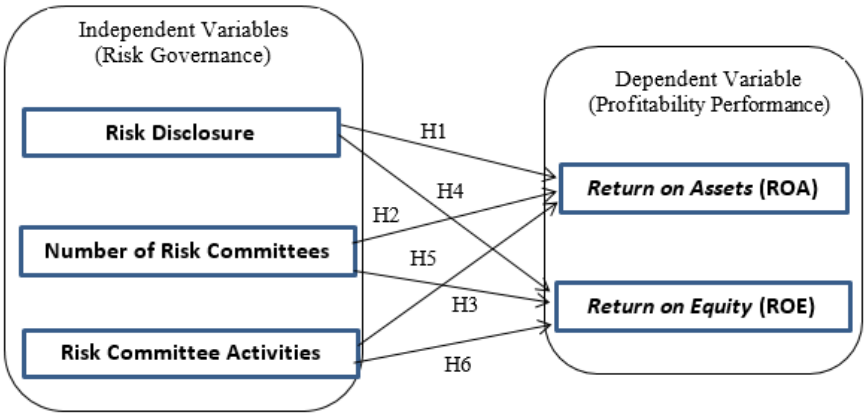

Figure 1. Framework of Thought

RESEARCH METHODS

Types and Sources of Research Data

This study uses a quantitative research design, with numerical data obtained and analyzed statistically. This study uses secondary data in the form of Risk Disclosure, Number of Risk Committees, Risk Committee Activities, Return On Assets and Return On Equity at regional government-owned commercial banks (BPD) registered and supervised by OJK for the period 2017 to 2023. Data sources are obtained from the Regional Government Bank Publication Report via www.ojk.go.id and internal OJK supervision data.

Population and Sample

According to Sugiono (2010), population is "a generalized area consisting of objects or subjects that have certain qualities and characteristics". These objects or subjects are selected by researchers for analysis, and conclusions are drawn from information obtained from the study of these objects or subjects (Sekaran, 2006). For the purposes of this study, the population is known to be 27 Regional Government Banks (BPD) registered and supervised by the OJK for the period 2017 to 2022. In determining the sample using the non-probability sampling method which does not provide equal opportunity for the entire population. Then Purposive sampling is a method in which data collection is carried out depending on the specified criteria, as follows:

Table 1.Sample Determination

No	Criteria	Bank
1	Local Government Bank Data(BPD) which is recorded and supervised by OJK and can be accessed during data collection.	27
2	Regional Government Bank(BPD)which incompletely reported financial reports in the Kalimantan Island region for the period 2017-2023	(1)
	Regional Government Bank(BPDwhich fully reports financial statements for seven consecutive years in the period 2016-2023	26
Final Sample Size		**26**

Source: Processed secondary data (2024)

From a population of 27 Regional Government Banks (BPD) that meet the sample criteria, there are 26 BPDs. Overall, there is observation data obtained from 26 BPDs with6 year observation data (25x6 years) as many as 156 data

Method of collecting data

Data were collected through access to the official website of the Financial Services Authority (OJK). Researchers systematically recorded, classified, and processed data relevant to the research variables; (a) Risk disclosure, (b) Number of risk committees, (c) Risk committee activities, (d) Return on Assets (ROA), (e) Return on Equity (ROE). In addition, the time variable was grouped into two periods, namely the period before the COVID-19 pandemic (2017–2019) and the period during the COVID-19 pandemic (2020–2022), to support a comparative analysis of bank profitability in two different conditions.

Data Analysis Techniques

The data analysis technique used multiple regression analysis using SPSS 2.6.00 software to test the hypothesis h1–h6 tested with regression, while the hypothesis H7a–H7e was tested with a paired sample t-test.

RESEARCH RESULTS AND DISCUSSION

RESEARCH RESULT

Descriptive Data

This study uses secondary data obtained from the annual reports of 26 Regional Government-Owned Commercial Banks (BPD) in Indonesia during a six-year observation period, namely from 2017 to 2022. With the number of banks used as samples of 26 BPDs and an observation period of six years, the total observation data used in this study is 156 observations. This study analyzes several main variables, consisting of independent variables including the number of members of the Risk Monitoring Committee, committee activities measured by the number of meetings held, and the level of risk disclosure carried out by the bank. Meanwhile, the dependent variables in this study include Return on Assets (ROA) and Return on Equity (ROE) as indicators of BPD bank financial performance. Descriptive statistics are presented as follows.

Table 2.Descriptive Statistics

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Risk Disclosure (X1)	156	,00	1.00	,9679	,17670
Number of Risk Monitoring Committee (X2)	156	2.00	7.00	3,7500	1.01362
Risk Committee Activities (X3)	156	2.00	70.00	15,5321	11.28368
Return On Assets (Y1)	156	-,73	4.29	2,4528	,71929
Return On Equity (Y2)	156	1.44	30.63	12,5838	7,40024

Source: Processed data, 2025

a. Risk Disclosure

The average Risk Disclosure of Regional Government-Owned Commercial Banks (BPD) in the financial reporting period from 2017 to 2022 is measured using an unweighted index approach, where a score of 1 is given if there is disclosure of risk information in the annual report and a score of 0 if no disclosure is made. Based on the results of descriptive statistics, the minimum value of this variable is 0.00 and the maximum value is 1.00, with an average of 0.9679 and a standard deviation of 0.17670. The average value approaching the maximum indicates that most BPDs consistently disclose risk in their annual reports. Meanwhile, the relatively low standard deviation value indicates that the variation between banks in terms of risk disclosure is quite small, which means that there is uniform behavior in risk transparency practices between BPDs. This consistency is important in maintaining public trust and demonstrating a commitment to the principles of good governance in the regional banking industry.

b. Risk Monitoring Committee

The average number of members of the Risk Monitoring Committee at Regional Government-Owned Commercial Banks (BPD) during the financial reporting period from 2017 to 2022 shows a tendency towards a fairly stable risk governance structure. This variable is measured based on the number of members who are members of the committee that is specifically formed to monitor and evaluate the risks faced by each bank, as stated in the annual report of each institution. Based on the results of descriptive statistical data processing, a minimum value of 2 people and a maximum of 7 committee members were obtained. The overall average value of the number of committee members is 3.7500, with a standard deviation of 1.01362.

This means that in general, each BPD bank has between 3 to 4 people in the Risk Monitoring Committee membership structure. The relatively low standard deviation value reflects that the variation in the number of members between BPDs is not too large or deviates far from the average. This indicates consistency and similarity in organizing the committee structure in most banks, which may be due to compliance with the Financial Services Authority (OJK) regulations or BPD internal policies that standardize risk governance practices.

c. Risk Committee Activities

The Risk Committee Activity variable is measured based on the number of meetings held by the Risk Monitoring Committee at each Regional Government-Owned Commercial Bank (BPD) during the period 2017 to 2022. This activity reflects the intensity and involvement of the committee in carrying out the supervisory function and mitigating the risks faced by the bank, both in terms of operations, credit, and business strategy. Based on the results of descriptive statistical data processing, the minimum number of meetings was 2 times in one year and the maximum number reached 70 times. The average number of meetings held by the risk committee was 15.5321 times per year, with a standard deviation of 11.28368.

The average value shows that in general the risk committee at BPD holds meetings more than once a month, which illustrates the commitment and seriousness in the decision-making process and supervision of potential risks. However, the fairly high standard deviation value indicates significant variation between banks in holding meetings. This can be caused by differences in operational scale, complexity of business activities, internal policies, and the response of each bank to external dynamics, including the COVID-19 pandemic situation in the 2020–2022 period.

d. *Return On Asset*(ROA)

The results of descriptive statistics show that the minimum value of ROA is -0.73, while the maximum value reaches 4.29. The average ROA during the period was 2.4528, with a standard deviation of 0.71929. The Return On Asset (ROA) variable measures the bank's ability to generate net profit after tax on total assets owned. ROA is the main indicator of the efficiency of asset use by management in creating profits.

The average ROA approaching 2.5% indicates that BPDs are generally able to manage their assets efficiently enough to generate profits. However, the presence of a negative minimum value indicates that several banks experienced losses in the use of their assets, which could have been caused by external conditions such as the economic slowdown or the COVID-19 pandemic in 2020–2022. On the other hand, the fairly high maximum value indicates that there are also BPDs that have succeeded in optimizing their assets very well.

e. *Return On Equity*(ROE)

Based on the results of descriptive statistical analysis, it is known that the minimum value of ROE recorded is 1.44, while the maximum value reaches 30.63. The average ROE in all bank samples is 12.5838%, with a standard deviation value of 7.40024. The Return On Equity (ROE) variable is a profitability indicator used to measure a bank's ability to generate net profit against the total equity owned. ROE shows how effectively a bank uses capital from shareholders to generate profits.

The average ROE of around 12.58% indicates that BPD is generally able to generate a fairly good rate of return on shareholders' capital. However, the large standard deviation value indicates that there is quite a high variation between BPDs in their ability to generate profits from their equity. This may reflect differences in managerial strategies, operational efficiency, and financial conditions of each bank.

Classical Assumption Test of Normality

In the normality test after being carried out to ensure that the data has been distributed normally. The results of the first and second regressions are presented as follows.

Table 3.Kolmogorov-Smirnov Normality Test

First Regression

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		156
Normal Parametersa,b	Mean	,0000000
	Std. Deviation	,69076189
Most Extreme Differences	Absolute	,067
	Positive	,058
	Negative	-,067
Test Statistics		,067
Asymp. Sig. (2-tailed)		,080c

Second Regression

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		156
Normal Parametersa,b	Mean	-1.2341486
	Std. Deviation	3.84906923
Most Extreme Differences	Absolute	,069
	Positive	,069
	Negative	-,068
Test Statistics		,069

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

Asymp. Sig. (2-tailed)	,067c

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

Source: processed data, 2025

The results of table 3. Kolmogorov-Smirnov statistical test as presented in Table 4.4. For regression 1, the significance value is 0.080, while regression 2 is 0.067. Both significance values are greater than 0.05, so it can be concluded that the residual data in both regression models are normally distributed. Thus, the regression model meets the assumption of normality and is suitable for use in further analysis.

Multiple Regression Analysis

The results of multiple regression analysis to see how much influence the independent variables have on the dependent variables by considering the coefficient values. The results of the first and second regressions are presented as follows.

Table 4.Multiple Regression Analysis First Equation

Variables	B	Std. Error	t	Sig.
(Constant)	2,189	,395	5,546	0,000
Risk Disclosure (X1)	,801	,317	2,525	0.013
Number of Risk Monitoring Committee (X2)	-,097	,056	-1,741	0.084
Risk Committee Activities (X3)	-,010	,005	-1,923	0.056
R Square 0.078 Fcount 4.272				
Adjusted R2 0.060 Probability F 0.006				

a. Dependent Variable: Return On Assets (Y1)
Source: processed data, 2025

In table 4. above, the results of the first model regression equation will be discussed, the results of the coefficient significance test are displayed as follows.

First Equation;

Return On Asset=2,189 + 0,801PR - 0,097JKPR - 0,010 AKR +e

a. The constant value is (+) meaning that if the independent variables of Risk Disclosure, Number of Risk Monitoring Committees, and Risk Committee Activities are considered constant or unchanged, then the Return On Asset (ROA) value at Regional Government-Owned Commercial Banks for the 2017-2022 period will increase by 2.189.
b. It is known that Risk Disclosure (PR) shows a positive regression coefficient value (+). This result shows that at a significance level of 5% (0.05), Risk Disclosure has a positive and significant effect on Return On Asset (ROA). The direction of this positive relationship means that the higher the level of risk disclosure carried out by the bank, the bank's profitability (ROA) will also increase.
c. It is known that the Number of Risk Monitoring Committees (JKPR) shows a regression coefficient value with a negative sign (-). This result shows that at a significance level of 5% (0.05), the influence of the JKPR variable on Return On Asset (ROA) is negative and insignificant. The direction of this relationship gives meaningthat the effect is inversely proportional, namelyincreasing the number of risk monitoring committees actually tends to reduce profitability.This statement is not significant or not proven because it is indicated by the Sig. value of 0.084 > 0.05.
d. It is known that the Risk Committee Activity (AKR) shows a regression coefficient value with a negative sign (-). This result indicates that at a significance level of 5% (0.05), the effect of the AKR variable on Return On Asset (ROA) is negative and insignificant. The direction of this relationship means that the effect is inversely proportional, namely that an increase in the number of risk monitoring committee meetings tends to decrease profitability. This statement is not significant or not proven because it is indicated by a greater significance value of 0.056> 0.05. This may indicate that a high frequency of meetings does not necessarily have a positive impact on the bank's financial performance if it is not accompanied by the effectiveness of the implementation of the risk monitoring function in these meetings.

Next, the second regression will be explained after the mediation variable is present as follows.

Table 5. Multiple Regression Analysis of the Second Equation

Variables	B	Std. Error	T	Sig.
(Constant)	12,510	4,112	3,042	0.003
Risk Disclosure (X1)	-3,040	3,306	-,920	0.359
Number of Risk Monitoring Committee (X2)	1,170	,579	2,019	0.045
Risk Committee Activities (X3)	-,088	,052	-1,695	0.092
R Square 0.055 Fcount 2.927				
Adjusted R2 0.036 Probability F 0.036				

a. Dependent Variable: BPR Profitability (Y2)

Source: processed data, 2025

From table 5., the results of the second model regression equation are obtained as follows.

Second Equation;

Return On Equity= 12,510 - 3,040 PR + 1,170 JKPR – 0.088 AKR + e

a. It is known that the constant value in the second regression equation is 12.510 which is positive (+). This shows that if the variables Risk Disclosure (PR), Number of Risk Monitoring Committees (JKPR), and Risk Monitoring Committee Activities (AKR) are considered constant, then the Return On Equity (ROE) at Regional Government-Owned Commercial Banks in Indonesia during the financial report period 2017 to 2023 is estimated at 12.510.
b. It is known that Risk Disclosure (PR) shows a regression coefficient value with a negative sign (-). This result shows that at a significance level of 5% (0.05), the influence of the PR variable on Return On Equity (ROE) is negative and insignificant. The direction of this relationship means that the influence is inversely proportional, namely that increasing risk disclosure tends to decrease profitability (ROE). This statement is not significant or not proven because it is indicated by a higher significance value, namely 0.359> 0.05. This may indicate that although risk information disclosure is important for transparency, it does not necessarily directly contribute to improving the bank's financial performance.
c. It is known that the Number of Risk Monitoring Committees (JKPR) shows a regression coefficient value with a positive sign (+). This result shows that at a significance level of 5% (0.05), the influence of the JKPR variable on Return On Equity (ROE) is positive and significant. The direction of this relationship means that the influence is directly proportional, namely an increase in the number of risk monitoring committees tends to increase profitability. This statement is significant or proven because it is indicated by a significance value of0.045<0.05. This indicates that the presence of more members in the risk monitoring committee can provide more effective supervision of risk exposure, thereby supporting the improvement of financial performance in government-owned commercial banks in Indonesia.
d. It is known that the Risk Committee Activity (AKR) shows a regression coefficient value with a negative sign (-). This result shows that at a significance level of 5% (0.05), the influence of the AKR variable on Return On Equity (ROE) is negative and insignificant. The direction of this relationship means that the influence is inversely proportional, namely that increasing the activity or number of risk committee meetings tends to decrease profitability. This statement is not significant or not proven because it is indicated by a greater significance value, namely0.092 >0.05. This may indicate that higher meeting frequency does not necessarily improve financial performance if it is not accompanied by effective implementation of risk monitoring in each meeting held.

Model Determination Coefficient

The following are the results of the first and second regression coefficient determination tests below.

Table 6. First Regression Determination Coefficient

Model	R Square	Adjusted R Square
1	0.078	0.060

Source: processed data, 2025

The results show that in the first regression the R Square value is 0.078 and the Adjusted R Square is 0.060. This indicates that only about 7.8% of the variation in Return On Asset (ROA) can be explained by the independent variables, namely Risk Disclosure, Number of Risk Monitoring Committees, and Risk Committee Activities. Meanwhile, the lower Adjusted R Square value (0.060) indicates that this model, although it has some influence, has not fully explained the variability in ROA significantly. The lower Adjusted R Square value also indicates that this regression model can be improved by considering additional independent variables or by improving the existing model.

These results provide an illustration that although there is an influence from the variables used, the influence is relatively small on the Return on Assets (ROA) at Regional Government-Owned Commercial Banks in Indonesia during the 2017-2022 period. Next, the determination of the second regression will be explained with the dependent variable Return On Equity as follows.

Table 7. Coefficient of Determination of the Second Equation

Model	R Square	Adjusted R Square
2	0.055	0.036

Source: processed data, 2025

The results show that in the second regression the R Square value is 0.055 and the Adjusted R Square is 0.036. This indicates that only about 5.5% of the variation in Return On Equity (ROE) can be explained by the independent variables, namely Risk Disclosure, Number of Risk Monitoring Committees, and Risk Committee Activities. Meanwhile, the lower Adjusted R Square value (0.036) indicates that this model, although there is an influence from the variables used, still makes a very small contribution to the variation in ROE. This low Adjusted R Square value indicates that the second regression model is also still not effective enough in explaining the influence of the variables used on Return On Equity in regional government-owned commercial banks in Indonesia during the 2017-2022 period.

Paired Sample T-Test Results

According to Setyawan (2017), the paired sample t-test is a parametric test used as a comparative test on two paired data, where the variable data scale used is a numeric scale. This test aims to determine whether there is a significant difference between two conditions, namely before and during the Covid-19 period in the context of this study. The results of the paired sample t-test from normally distributed variables, namely the Number of Risk Committees, Risk Committee Activities and Return On Assets are explained as follows.

Table 8.Paired Samples Test Results

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference Lower	Upper			
Pair 1	Risk Disclosure_before covid-19 - Risk Disclosure_during covid-19	-,02564	,22646	,02564	-,07670	,02542	-1,000	77	,320
Pair 2	Number of Risk Monitoring Committees_before covid-19 - Number of Risk Monitoring Committees_during covid-19	-,14103	1,0284	,11645	-,37291	,09086	-1,211	77	,230

Pair 3	Risk Committee Activities_before covid-19 - Risk Committee Activities_during covid-19	-3,00000	12,939	1.46510	-5,9173	-,08261	-2,048	77	,044
Pair 4	Return On Assets_before covid-19 - Return On Assets_during covid-19	,27641	,70846	,08022	,11668	,43614	3,446	77	,001
Pair 5	Return On Equity_before covid-19 - Return On Equity_during covid-19	4.12359	7,4024	,83816	2.4546	5,7925	4,920	77	,000

Based on the table above, the Paired Sample T-Test test on risk disclosure, number of risk committees, risk committee activities, return on assets, return on equity before and during the Covid-19 pandemic. Explained as follows.

1. Risk Disclosure
   Based on the results of the paired sample t-test in the table above, the average risk disclosure value between before and during Covid-19 has an average difference of -0.02564 with a standard deviation of 0.22646 and a standard error of 0.02564. The calculated t value is -1.000 with a significance value (2-tailed) of 0.320. Because the sig value> 0.05, which means there is no significant difference between risk disclosure before and during Covid-19.
2. Number of Risk Monitoring Committees
   The test results show an average difference of -0.14103 with a standard deviation of 1.02848 and a standard error of 0.11645. The t-value is -1.211 with a sig (2-tailed) of 0.230. Because the significance value is > 0.05, which indicates that there is no significant difference in the number of risk monitoring committees between before and during the Covid-19 pandemic.
3. Risk Monitoring Committee Activities
   The average difference in risk monitoring committee activity before and during the Covid-19 pandemic is -3.00000 with a standard deviation of 12.93942 and a standard error of 1.46510. The t-value is -2.048 with a sig (2-tailed) of 0.044. Because the sig value <0.05, which means there is a significant difference in the risk monitoring committee activity between before and during the Covid-19 pandemic.
4. Return On Assets (ROA)
   The average difference in ROA between before and during the Covid-19 pandemic is 0.27641 with a standard deviation of 0.70846 and a standard error of 0.08022. The t-value is 3.446 and the sig value (2-tailed) is 0.001. Because the sig value <0.05, which means there is a significant difference in the company's financial performance in terms of ROA before and during the Covid-19 pandemic.
5. Return On Equity (ROE)
   The average difference in ROE between before and during the pandemic is 4.12359 with a standard deviation of 7.40245 and a standard error of 0.83816. The t-value is 4.920 and the significance value (2-tailed) is 0.000. Because the sig value <0.05, it means that there is a significant difference between ROE before and during the Covid-19 pandemic.

DISCUSSION OF RESEARCH RESULTS

The Effect of Risk Disclosure on Return on Assets (ROA)

This study proves that Risk Disclosure has a positive and significant effect on Return on Assets (ROA) at Regional Government-Owned Commercial Banks in Indonesia during the period 2017–2022. The results of the statistical test show that the significance value is 0.013 <0.05 and the t-value is 2.525> 1.96. Thus, it means that the higher the level of risk disclosure carried out by the bank, the higher the level of profitability generated, as reflected in ROA. These findings indicate that good risk management accompanied by transparent disclosure can improve the operational efficiency of banks in managing their assets to generate profits. When banks disclose risks clearly, it not only increases the trust of stakeholders such as investors, regulators, and customers, but also encourages internal management to develop more proactive and accountable risk mitigation strategies, thereby encouraging more efficient performance and generating higher profitability. This finding is an indication that risk disclosure practices

have become an integral part of the business strategy of local government banks, not just a regulatory obligation. This is very important considering the role of local banks in supporting regional economic development, which requires credible risk management and governance to create long-term profitability. Thus, good risk disclosure acts as a strategic instrument that not only strengthens public trust but also encourages managerial efficiency in managing bank assets to generate profits. Local government banks that actively and transparently disclose risks have a greater chance of maintaining and improving their financial performance, as reflected in increased ROA.

Number of Risk Monitoring Committees Against Return On Assets (ROA)

The results of statistical tests in this study indicate that the number of risk monitoring committees has an insignificant negative effect on the profitability (ROA) of Regional Government-Owned Commercial Banks in Indonesia for the period 2017 to 2022. The significance value of 0.084> 0.05 and the t-count value of -1.741 <1.96 indicate that the existence of a risk committee quantitatively has not been able to provide a significant contribution to the achievement of regional bank profitability. Thus, the second hypothesis is rejected. This finding indicates that the addition or existence of the number of risk monitoring committees in regional government-owned banks does not always have a direct impact on improving financial performance, especially ROA. This could be due to several possibilities. First, the role of the risk monitoring committee in many regional banks is still normative and administrative, meaning that their presence is more as a fulfillment of governance regulations (compliance), rather than as an integral part of an active risk management strategy. Second, these committees are often not equipped with competent human resources in the field of banking risk management, so that the effectiveness of supervision and risk mitigation is minimal.The results of this study provide important implications for regional bank managers, namely that the formation and addition of the number of risk committees is not enough to boost profitability. What is much more important is to ensure that the risk committee functions substantially and strategically, has relevant expertise, strong independence, and is able to make real contributions in mapping, evaluating, and controlling risks that impact bank profitability.

The Influence of Risk Committee Activities on Return On Assets (ROA)

The results of the statistical test show that the risk committee's activities do not have a significant effect on the profitability (ROA) of Regional Government-Owned Commercial Banks (BUMD) in Indonesia during the period 2017 to 2022. This is indicated by a significance value of 0.056> 0.05 and a t-count value of -1.923 <1.96. Thus, which means that the intensity of meetings or the frequency of activities carried out by the risk committee has not been able to significantly affect the bank's profitability performance. The third hypothesis is rejected This finding shows that even though the risk committee activities are formally carried out (for example through regular meetings), it does not necessarily provide a real contribution to the achievement of financial goals, especially in increasing Return on Assets (ROA). Intensive committee activities will have a positive impact on profitability only if the meetings actually produce strategic decisions that are implementable and relevant to the bank's risk management.

In the context of Regional Government-Owned Commercial Banks in Indonesia, this result can be interpreted that the frequency of risk committee activities is not in line with the quality of decisions produced. This could be caused by factors such as minimal training and experience of committee members in managing banking risks, the absence of a strong follow-up system for meeting results, and weak integration between the results of the risk committee's work and the bank's overall business planning. Therefore, although the existence and activities of the risk committee are an important part of the principles of good corporate governance, its effectiveness in increasing ROA will only be achieved if the risk committee carries out a strong strategic function, has access to relevant information, and has real influence in the risk management decision-making process.

The Effect of Risk Disclosure on Return On Equity (ROE)

The results of the statistical test show that risk disclosure does not have a significant effect on Return On Equity (ROE) at Regional Government-Owned Commercial Banks in Indonesia during the financial reporting period from 2017 to 2022. This is indicated by a significance value of 0.359> 0.05 and a t-value of -0.920, which is outside the critical limit of ±1.96. Thus, it means that the level of risk disclosure has not had a real impact on bank equity-based profitability. The fourth hypothesis is rejected These findings indicate that risk disclosures made by banks, although important from a regulatory and ethical perspective, have not sufficiently influenced investors' strategic decisions or the efficiency of their own capital use, as reflected in the ROE indicator. This could be due to two main reasons: first, the disclosures are too general and not in-depth; second, stakeholders such as investors, regulators, and internal management have not made risk information the primary basis for assessing equity efficiency. Another study by Abdul Latif, Abdullah, and Zainuddin (2023) in the context of government banks in Asia showed that the effect

of risk disclosure on ROE will only be significant if accompanied by a strong risk governance system, as well as transparency in mitigation strategies that can be trusted by stakeholders. Without it, risk disclosure can be just a formality without any real impact on the return generated from equity. Thus, the low effect of risk disclosure on ROE in this study may reflect a gap between the disclosure made and the substantial implementation of risk management, as well as the low strategic value of this information in increasing bank equity efficiency.

The Influence of the Number of Risk Monitoring Committees on Return on Equity (ROE)

The results of the statistical test show that the Number of Risk Monitoring Committees has a significant positive effect on Return on Equity (ROE) at Regional Government-Owned Commercial Banks in Indonesia during the financial reporting period of 2017 to 2022. This is indicated by a significance value of 0.045 (<0.05) and a t-count value of 2.019 (>1.96), which meets the criteria for accepting the hypothesis. Thus, the fifth hypothesis is accepted. Theoretically, the existence of the Risk Monitoring Committee is an integral part of an effective corporate governance structure. The number of members in this committee reflects the institution's capacity to identify, analyze, and mitigate risks more comprehensively. The more members the committee has, the more in-depth and comprehensive the potential for monitoring various forms of risk such as credit risk, liquidity risk, and operational risk can be carried out. This will increase the trust of investors and other stakeholders in the bank's risk management, which ultimately has an impact on increasing ROE as the main indicator of the effectiveness of equity capital use. This finding reinforces the view that expanding the number of members in the risk committee is not just a structural formality, but has a real effect on achieving financial performance, especially in the equity-based profitability dimension. This is consistent with the research results of Almutairi and Quttainah (2021), which stated that a strong risk committee structure, including in terms of the number of members, can provide added value to bank performance by strengthening the oversight and risk governance functions. They emphasized that synergy in a larger risk team can enrich perspectives and support more prudent decision-making.

The Impact of Risk Committee Activities on Return On Equity (ROE)

The results of the statistical test show that Risk Committee Activities do not have a significant effect on Return On Equity (ROE) at Regional Government-Owned Commercial Banks (BUMPD) in Indonesia during the financial reporting period from 2017 to 2022. This can be seen from the significance value of 0.092 (> 0.05) and the t-count value of -1.695, which is outside the critical limit for accepting the hypothesis. Thus, the sixth hypothesis is rejected. Conceptually, risk committee activity is often measured by the intensity or frequency of meetings held by the committee in a reporting period. In the context of risk governance, this activity should reflect the level of attention and involvement of the committee in monitoring, evaluating, and responding to various strategic risks faced by the bank. However, this finding indicates that even though the frequency of risk committee activity is high, it does not automatically have a positive impact on increasing ROE. This means that the quantity of activity is not necessarily directly proportional to the quality of decision output or managerial effectiveness. This finding is in line with a study by Al-Gamrh et al. (2020) which states that frequent meetings by the risk committee do not guarantee improved financial performance if the meetings do not produce strategic decisions that have a real impact. They emphasize that a real impact on profitability will only emerge if the risk committee's activities are focused on the quality of planning, in-depth risk evaluation, and concrete follow-up on the results of the evaluation.

Risk Disclosure, Number of Risk Committees, Risk Committee Activities, Return On Assets, Return On Equity Before and During the Covid-19 Pandemic

There are Differences in Risk Disclosure Before and During the Covid-19 Pandemic.

The results show no significant difference between risk disclosure before and during the pandemic (significance value 0.320 > 0.05). This indicates that the pandemic crisis has not been enough to encourage substantive changes in risk disclosure practices in BUMPD. It seems that BUMPD has not used the crisis as a momentum to strengthen the openness of risk information to the public. This may be influenced by the lack of regulations requiring detailed risk disclosure during the pandemic period or limited human resources in terms of transparent reporting (Mokhtar & Mellet, 2013)

There is a Difference in the Number of Risk Monitoring Committees Before and During the Covid-19 Pandemic.

The results show no significant difference between the number of risk committees before and during the pandemic (sig. 0.230 > 0.05). This means that the structure of the risk monitoring committee tends to be static during the crisis. The number of risk committees is usually set in the corporate governance structure and rarely changes

dynamically in the short term. Thus, even though the pandemic poses new risks, BUMPDs seem to rely more on existing units than forming additional formal structures (Solomon, 2010). This can be a weakness in responding to the crisis adaptively.

There are Differences in the Activities of the Risk Monitoring Committee Before and During the Covid-19 Pandemic.

There is a significant difference in risk committee activity (sig. 0.044 < 0.05), with the intensity of activity increasing during the pandemic. This suggests that despite the structure remaining the same, the oversight function increased in response to the crisis. The increase in activity may reflect a heightened awareness of the management and the supervisory board of the systemic threat posed by the pandemic. Risk committees may meet more frequently, formulate mitigation strategies, and assess the impact of new risks such as credit risk, liquidity risk, and operational risk. A study by Subramaniam et al. (2009) also supports that the intensity of committee activity is positively correlated with the improvement in the quality of risk oversight.

There are differences in return on assets before and during the Covid-19 pandemic.

The results show no significant difference between ROA before and during the COVID-19 pandemic, with a significance value of 0.001 <0.05. This means that statistically, there was a change in the ROA performance of regional government-owned commercial banks between before and during the COVID-19 pandemic. This decrease in ROA indicates that the profitability of regional government-owned commercial banks in terms of asset utilization efficiency tended to decline during the pandemic. This is reasonable considering the various economic pressures that have arisen due to the pandemic. Some of the causes of this difference in ROA include; (a) Decrease in community economic activity, which has an impact on credit demand and smooth loan payments; (b) Credit restructuring and increase in allowance for impairment losses (CKPN) which reduces profits; (c) Fixed operating costs that are not offset by adequate income during the crisis.

There is a Difference in Return on Equity Before and During the Covid-19 Pandemic.

The results show no significant difference between ROE with a significance value of 0.000 <0.05, which means there is a statistically significant difference in ROE between before and during the pandemic. This difference in ROE reflects a change in the bank's effectiveness in generating returns on equity owned. The decrease in ROE can be caused by several factors: (a) Decrease in net profit due to increased provision burden and slowing credit growth; (b) Credit relaxation and high risk of default during the pandemic; (c) Dependence on government assistance policies, which are temporary and do not have a direct impact on equity efficiency.

CONCLUSION

The study shows that Risk Disclosure (X1) has a significant positive effect on Return on Assets (ROA), but does not have a significant effect on Return on Equity (ROE), while the Number of Risk Monitoring Committees (X2) does not have a significant effect on ROA but has a significant positive effect on ROE, and Risk Committee Activity (X3) does not have a significant effect on either ROA or ROE. During the Covid-19 pandemic, there was no significant difference in Risk Disclosure and the Number of Risk Monitoring Committees compared to before the pandemic, but there was a significant increase in Risk Committee Activity. On the other hand, both ROA and ROE experienced a significant decline during the pandemic, reflecting the great pressure on the profitability and efficiency of bank performance due to the crisis.

FUTURE RESEARCH AGENDA

Further research is recommended to combine quantitative and qualitative approaches, especially through in-depth interviews or surveys of risk committee members and bank management, to gain a more comprehensive understanding of risk management practices and strategic decision-making processes. In addition, expanding the period and scope of data is also important by extending the analysis period to post-Covid-19 pandemic to evaluate the long-term impact, as well as making comparisons between regional banks and private or national banks to obtain a more comprehensive picture. Future research is also recommended to add external variables, such as macroeconomic conditions, fiscal and monetary policies, and government intervention during the crisis, so that their effects on profitability and risk management effectiveness can be known.

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