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The Effect Of Credit Risk Management On The Financial Performance Of Foreign Exchange Banks

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Abstract

Carrying out banking practices, banks are faced with financial credit risks, so there needs to be an element of management in avoiding financial credit risks that will later have an impact on the bank's financial performance. This study aims to describe the effect of financial credit risk management (NPL) on bank financial performance (Return on assets (ROA) and Return on Equity (ROE)). Thisenelitian uses a quantatif approach with an associative type. The research sample was 39 foreign exchange banks consisting of 4 government-owned banks (State-Owned Enterprises / BUMN) namely Bank BNI, Bank BRI, Bank Mandiri, and Bank BTN. The rest are private banks operating in Indonesia. Among these foreign exchange banks are some international corporate banks. Government foreign exchange banks that reported financial performance in the last 7 years, namely the 2016-2020 period. Sampling is determined by purposive sampling technique. Research data were collected through documentation and literature studies, and analyzed by descriptive techniques and ordinary least squares regression. The results of the study obtained a t-count value between NPL and ROA of 2.783 greater than the t-table value (1.9822 < 2.783) which means that there is an influence between the two. The results of the t-test subsequently obtained a significance level of 0.006, smaller than 0.05 or t-sig < 0.05 which means significant. Thus the constructed hypothesis that NPLs have a positive and significant effect on ROE is accepted. Then the t-test between the NPL against the ROE obtained a t-count value of 4.298, which means that it is greater than the t-table value (1.9822 < 2.783) so that there is an influence between the NPL and the ROE. The results of the t-test also obtained a significance value of 0.000 smaller than 0.05 or a t-sig < 0.05 which means significant. This means that the constructed hypothesis that NPLs have a positive and significant effect on ROE is accepted. It was obtained that NPLs have a positive and significant effect on ROA and ROE, so that they can be used as information for foreign exchange banks in making policies related to improving bank financial performance.

Keywords: credit risk management, return on assets, return on equity

INTRODUCTION

A foreign exchange bank is defined as a bank that in its business activities can carry out transactions in foreign exchange (Grubel, 2014), both in terms of raising funds, as well as in providing financial services. Thus, foreign exchange banks can directly serve transactions on an international scale such as export trade transactions, both from the export of goods and services; the result of investment abroad; income from Indonesian workers from abroad or foreign loans (Indonesian Bankers Association and Banking Professional Certification Institute, 2013).

Without sufficient funds, the bank cannot do anything about it, or in other words, the bank becomes not functioning at all (Dendawijaya, 2003). Therefore, the bank must prepare a strategy for the use of the funds it raises in accordance with the allocation plan based on the policy that has been outlined. Diamond and Dybvig (1986) stated that a bank that can be said to be healthy is a bank that can carry out its functions well such as being able to maintain public trust, being able to carry out intermediation functions, being able to help smooth payment traffic, and being able to implement monetary policy.

A bank is a financial institution that provides credit services and other services to all business sectors as a support for the economy. With its services, the bank smoothes the flow of goods and services and supplies most of the money supply both in credit and in the form of other services (Werner, 2014). This is related to the function of the bank itself, which is to collect funds from the community (funding) in the form of savings, then then distribute them back to the community in the form of credit (lending). Activities to raise public funds are carried out by opening various savings products, time deposits, current accounts, or other forms. One of the functions of the bank in distributing funds to the public or certain parties is channeled through the credit system. Carrying out banking practices, banks are faced with various financial risks, so there needs to be an element of management in avoiding financial risks and/or financing. In the context of financial risk, Iqbal and Mirakhor (2008) look at the risks faced by banks, one of which is credit risk. Mardiana (2018); Mardiana et al. (2018); Shahid et al., (2019); in their research stated that credit risk has a positive and significant effect on financial performance. Despite this, it is still found some studies show different results. On the other hand, Shahid et al., (2019) in their research concluded that credit risk (CR) negatively affects financial performance (ROA and ROE), meaning that an increase in CR can reduce profitability so that the company's performance is said to be poor, or vice versa that non-performing loans can reduce (positively affect) financial performance. In line with these findings, Ismanto (2020) found that credit risk (NPL) had an insignificant negative effect on financial performance. In another study by Abiola and Olausi (2014) and Adeusi et al., (2013) which stated that risk management has an impact on profitability.

Credit risk can be measured using Non Performing Loans (NPL) (Ambarawati, 2018). Non Performing Loan (NPL) is a comparison between total non-performing loans and total loans given to debtors. According to Bank Indonesia Regulation No.13/3/PBI/2011, the NPL ratio is set at a maximum of 5% of total loans. If the NPL ratio is below 5%, it shows that the bank can manage its credit risk well because it is able to minimize its credit so that it can have a good impact on assessing the bank's financial performance. In accordance with the audit results of the Financial Audit Agency of the Republic of Indonesia (BPK RI) in 2019, that bank supervision by the Government through the Financial Services Authority (OJK) has not been or is not in accordance with supervisory provisions, including regarding the minimum limit of credit provision (BMPK), capital adequacy ratio (CAR), director eligibility, to a number of misappropriation problems in lending. As a result, several foreign exchange banks experienced a decline in performance.

Referring to the 2019 financial statements as quoted from Kompas.com (2020) that Bank BTN experienced a decrease in net profit by up to 92%. In the 2019 period, Bank BTN's profit was only Rp801 billion, meaning it experienced a decrease compared to 2018's profit which reached Rp2.81 trillion. The decline in Bank BTN's net profit was due to increased reserves, as well as credit netting efforts due to deteriorating quality. In addition, Bank BTN also downgraded low-quality loans (loans at risk), especially in the commercial high rise or apartment segment. The impact is that Bank BTN has to set aside reserves of up to 105%, from the previous only 50%. In 2020 Bank Mandiri recorded a net profit of around Rp14 trillion, a decrease of 30.7% compared to the previous period of Rp20.25 trillion. Due to the decline in profit, it caused a decline in operating income because between July-September 2020 Bank Mandiri's operating income amounted to IDR 62.9 trillion or decreased by around 3.06% compared to the same period in 2019 (Kompas.com, 2020). The same thing was experienced by Bank BNI where in the third quarter it recorded a decrease in profit from IDR 4.32 trillion down to 63.9%. The ratio or risk of capital adequacy (reserves) in the third quarter was at the level of 206.9% greater than the same period in 2019 of 159.2%. This has implications for an increase in the risk of bad debts (NPLs) rising from 1.8% to 3.6% (Kompas.com, 2020).

The facts above instruct that financial risk management, especially credit risk management, has not been fully successfully (optimally) carried out by foreign exchange banks in Indonesia. Departing from this, the purpose of this study is to analyze "**Credit Risk Management** P**engaruh towards the Financial Performance of Foreign Exchange Banks**". This study was conducted on Government-owned Foreign Exchange Banks listed on the

Indonesia Stock Exchange (IDX) and the Financial Services Authority (OJK).

LITERATURE RIVIEW

Credit Risk Management

The term management comes from the word to manage means control. In Indonesian, it can be interpreted as controlling, handling, or managing (Law No. 10 of 1998 and Herujito, 2001). The word manajamen in the dictionary Besar Indonesian means the effective use of resources to achieve goals (Ministry of National Education, 2005). The same is said by Stephen P. Robbins, management is the process of coordinating and integrating work activities in order to be completed efficiently and effectively with and through others (Robbins, 1999). Departing from some of these understandings, then in simple terms management shows the organization's ability to use resources correctly effectively and efficiently.

The term risk according to the Big Dictionary of Indonesian is a less pleasant (detrimental, harmful) result of an act or actions (Ministry of National Education, 2005). In the management dictionary, risk is an uncertainty that contains the possibility of loss in the form of property or loss of profit or economic ability (Marbun, 2003). In addition, risk can be said to be an opportunity for loss or destruction. Indroes (2008) provides a broader understanding of risk, namely as a threat or possibility of an action or event that causes an impact that is contrary to the goal to be achieved. Bank Indonesia itself provides a risk definition contained in the BiB as a potential event that can cause bank losses (Bank Indonesia, 2006). Thus we can conclude that risk is an opportunity for the possibility of an unwanted (adverse) event to occur both for the company / institution, and for people per person.

Bank Indonesia stated that one of the banking risks that must be managed is credit risk (Bank Indonesia Regulation No. 11/25 of 2009). In general, the term credit risk with financing risk is the same. Because both are types of products with the same system. The thing that distinguishes it is the interest system in conventional banks, and the profit sharing is on Islamic banks. Referring to the level I risk management certification module, it is explained that credit risk is a risk due to the failure of the debtor / or other party in fulfilling the obligation to pay off credit to banks (Indonesian Bankers Association, 2015). Credit risk is the risk caused by the failure of the debtor and/or other parties in fulfilling obligations to the bank (Bank Indonesia Regulation No. 11/25 of 2009). Credit risk is the risk of loss suffered by the bank, related to the possibility that at maturity, its counterparty fails to fulfill its obligations to the bank (Ali, 2006).

In lending activities, both commercial credit and consumption credit, there is a possibility that the debtor cannot fulfill obligations to the bank for various reasons, such as business failure, due to the character of the debtor who does not have good faith to fulfill his obligations to the bank, or there is indeed an error on the part of the bank in the credit approval process. Financing risk is the risk due to the failure of the customer or other party in fulfilling their obligations to the bank in accordance with the agreed agreement. One of the financing risk groups is a risk that arises from the concentrated provision of funds to one party or a certain group of industry parties, sectors and geographical areas that have the potential to cause considerable losses and can threaten the bank's business continuity.

Risks can arise due to several things, including (Ghozali, 2007): (a) the possibility of loans provided by banks or bonds (debt securities) purchased by banks not being paid; (b) non-fulfillment of obligations, whereby the bank involved in them may fulfill the other party, for example failure to fulfill obligations in derivative contracts; and (c) settlements with exchange rates, interest rates and derivative products. Credit risk can be measured using Non Performing Loans (NPLs). Non Performing Loan (NPL) is a comparison between total non-performing loans and total loans given to debtors. According to Bank Indonesia Regulation No.13/3/PBI/2011, the NPL ratio is set at a maximum of 5% of total loans. If the NPL ratio is below 5%, it shows that the bank can manage its credit risk well because it is able to minimize its credit so that it can have a good impact on assessing the bank's financial performance. Credit risk performance (CR) was analyzed using the classification of ordinal data, namely (Jamaludin, 2020; and Bank Indonesia Circular Letter Number: 6/23/DPNP of 2004): Very healthy (< 2%) value 5, Healthy (2% - ≤5%) value 4, Quite healthy (5% - ≤8%) value 3, Unhealthy (8% - ≤12%) value 2, Unhealthy (≥ 12%) value 1.

Bank Financial Performance

Performance is the result achieved through a certain set of activities and procedures by using the company's resources to achieve the company's set goals (Mangkunegara, 2005). Performance is also known as work, where the definition proposed by Cantika (2005) is that performance is the result of the implementation of a job, both physical and material and non-physical or non-material". Hanafi and Halim (2014) mentioned that performance is a formal effort carried out by the company to evaluate the efficiency and effectiveness of the company's activities that have been carried out in a certain period of time.

Financial performance is an analysis carried out to see the extent to which a company has implemented it using the rules of financial implementation properly and correctly. According to Fahmi (2014), financial performance is the achievement or success of a company in generating the profit obtained. This means that financial performance is a financial achievement achieved by the company in a certain period. According to Sucipto (2003) that financial performance is the determination of certain measures that can measure the success of an organization or company in making a profit. Meanwhile, the Indonesian Accounting Association /IAI (2007) that financial performance is defined as the company's ability to manage and control its resources. Furthermore, the level of financial performance of the company can be measured from what the liquidation rate, profitability or other indicators that indicate whether the company is run in a rational and orderly manner (Sarwoko and Halim, 1989).

Performance measurement is defined as "performance measurement", that is, the qualification and efficiency of a company or segment or effectiveness in business operations during the accounting period (Hanafi, 2003). According to Jumingan (2009) bank financial performance can illustrate the bank's financial condition in a certain period both regarding aspects of raising funds and disbursing funds which are usually measured by indicators of capital adequacy, liquidity and bank profitability. According to Sofyan (2005) profitability is the most appropriate indicator for measuring the performance of a bank. According to Cashmere (2012), profitability is a ratio to assess a company's ability to seek profit. This ratio also provides a measure of the level of effectiveness of the management of an enterprise. The profitability measures used are Return On Asset (ROA) and Return On Equity (ROE) in the banking industry. ROA focuses on a company's ability to gain learning in a company's operations, while ROE only measures the returns obtained from the company owner's investment in the business. ROA is a financial ratio to measure a bank's ability to obtain overall profits (profits). The greater the ROA of a bank, the greater the level of profit achieved by the bank and the better the bank's position in terms of asset use so that the better the bank's financial performance (Maria, 2015). The ROA and ROE Performance Classifications were analyzed using ordinal data classification (Jamaludin, 2020; Ramdhani and Elmanizar, 2019; and PMK No.06/Per/M.KUKM/V/2006) namely: Very healthy (≥10%) value 5, Healthy (7% to <10%) value 4, Healthy enough (3% to <7%) value 3, Less healthy (1% to <3%) value 2, Unhealthy (<1%) value 1. Roe Performance Classification is: Very healthy (≥21%) value 5, Healthy (15% to <21%) value 4, Healthy enough (9% to <15%) value 3, Less healthy (3% to <9%) value 2, Unhealthy (<3%)value 1.

METHOD

Thisresearch uses a quantatif approach with an associative type, namely research that questions the relationship between variables (Sugiyono, 2016) with a literature study approach, namely analyzing financial statements at Government Foreign Exchange Banks. This research will be carried out in Kendari City, Southeast Sulawesi Province and in Jakarta. Thisresearch is carried out for approximately 6 months, starting from August 2021 to January 2022. The research sample was determined using the purposive sampling method, namely sampling carried out in accordance with the conditions and objectives of the research that had been set (Sekaran & Bougie, 2017). The requirements for the research sample are intended to be Government Foreign Exchange Banks that report financial performance in the last 7 (seven) years, namely the 2016-2020 period.

The research sample of 39 foreign exchange banks consisted of 4 government-owned banks (State-Owned Enterprises / BUMN) namely: 1) Bank BNI; 2) Bank BRI; 3) Bank Mandiri; and 4) BTN Bank. The rest are private banks totaling 35 banks in a row, including: 1) Bank Rakyat Indonesia Agroniaga, Tbk; 2) Bank Artha Graha International, Tbk; 3) Bank Bukopin, Tbk; 4) Bumi Arta Bank; 5) MNC Bank; 6) Bank Central Asia, Tbk; 7) Bank CIMB Niaga, Tbk; 8) Bank Danamon Indonesia, Tbk; 9) Ganesha Bank; 10) Hana Bank; 11) Woori Bank 1906, Tbk; 12) Bank ICBC Indonesia; 13) Bank Index Selindo; 14) Bank SBI Indonesia; 15) May Bank ; 16) Bank CCB Indonesia; 17) QNB Bank Indonesia, Tbk; 18) Bank Maspion Indonesia; 19) Bank Mayapada International, Tbk; 20) Bank Mega, Tbk; 21) Mestika Dharma Bank; 22) Bank Shinhan Indonesia; 23) Bank Muamalat Indonesia; 24) J TRUST BANK; 25) Bank OCBC NISP, Tbk; 26) Pan Indonesia Bank, Tbk; 27) Bank Permata, Tbk; 28) Bank Sinarmas, Tbk; 29) Bank Of India Indonesia, Tbk; 30) Bank UOB Indonesia; 31) Bank BNP Paribas Indonesia; 32) Bank Capital Indonesia; 33) Perdania Resona Bank; 34) IBK Bank; 35) Commonwealth Bank. Among these foreign exchange banks are some international corporate banks.

The variable of this study consists of a bound variable (dependent variable) or Y is the financial performance of the bank. The performance variable consists of two sub-variables, namely Return on Asset / ROA (Y.1). Roa value is measured by net income divided by total assets (Appa, 1996 and Shahid et al. 2019). ROE value is measured from net income divided by total equity (net income divided by total equity) (Ogboi & Unuafe, 2013 and Shahid et al., 2019). Independent variable or X, namely credit/financing risk. Credit risk is calculated in the same way as stipulated in the Circular Letter of the Financial Services Authority No.14 / SEOJK.03 / 2017 concerning Assessment of the Health Level of Commercial Banks (Financial Services Authority, 2017

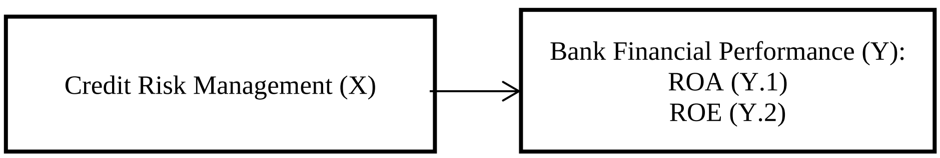

Figure 1. The Research Paradigm

The types and sources of data in this study use secondary data, namely data obtained from tracing secondary sources that have been documented in the form of bank performance reports listed on the Indonesia Stock Exchange, Bank Indonesia (BI), and the Financial

Services Authority (OJK), or from other sources with scientific reports, journals, magazines, or other supporting documents relevant to this study. Research data were collected through documentation and literature studies, and analyzed by descriptive techniques and ordinary least squares regression. The mathematical linear regression analysis model is as follows:

Y = a + X + eβ
Where:
Y : dependent variable or response
X: independent variable
a: intercept or constant
β : regression coefficient or slope
e: residual or error

FINDINGS

Based on descriptive statistical techniques, an overview of data conditions is obtained which includes maximum, minimum, average, and standard deviation values. It is known that the financial performance variables are measured by Return on assets (ROA) and Return on Equity (ROE). ROA is the ability of a banking company to generate net profit with the assets it owns. Based on Table 1., the ROA variable in this study has a minimum value of 1, and a maximum value of 3 with a standard deviation of 0.662. The average value of 1.56 means that the average return on investment produced by a banking company every 1 rupiah of assets owned by the company is able to generate a net profit for the current year of around 0.662 rupiah. The higher the ROA value indicates that the banking company has a better performance because its assets are productive so that it generates large profits. The ROE variable is the company's ability to make a profit from shareholder investment in a banking company or shows how much profit the company can make from every one rupiah invested by the shareholders. The ROE variable in this study has a minimum value of 1 and a maximum value of 4 with a standard deviation of 0.932. The average value of 1.96 means that every 1.96 rupiah of assets owned by the company can be guaranteed by investment returns. The financial risk management variable as measured by credit/financing risk (NPL) obtained the lowest value of 2 and the highest value of 5 with an average value of 4.13 and a standard deviation of 0.701.

Table 1. Descriptive Statistical Analysis

	ROA	ROE	NPL
Minimum	1	1	2
Maximum	3	4	5
Mean	1.56	1.96	4.13
Std. Deviation	0.662	0.932	0.701

Information:
ROA: Return on Asset
ROE: Return on Equity
NPL: Non-Performing Loan (Credit/financing risk)

The t-test model of credit risk management to financial performance used to test the hiopthesis built/proposed in the study is as follows:

Hypothesis : Credit risk (NPL) has a positive and significant effect on financial performance:

1. Credit risk (NPL) has a positive and significant effect on ROA
2. Credit risk (NPL) has a positive and significant effect on ROE

The results of the partial test (t-test) of the effect of credit risk management on financial performance in this study are presented in Table 2.

Table 2.T-Test Results of the Effect of NPL Risk Management on Financial Performance

Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
ROA	(Constant)	-.170	.327		-.520	.604
	NPL	.207	.074	.219	2.783	.006
ROE	(Constant)	-.755	.444		-1.701	.092
	NPL	.434	.101	.326	**4.298**	**.000**

Credit risk testing (NPL) has a positive and significant effect on financial performance (through ROA, ROE). According to the results of the t-test analysis in Table 2, a t-count value between NPLs and ROA of 2.783 is greater than the t-table value or (1.9822 < 2.783) which means that there is an influence between the two. The results of the t-test subsequently obtained a significance level of 0.006, smaller than 0.05 or t-sig < 0.05 which means significant. Thus, credit risk (NPL) has a positive and significant effect on roa received. Then the t-test between the NPL against the ROE obtained a t-count value of 4.298, which means that it is greater than the t-table value (1.9822 < 2.783) so that there is an influence between the NPL and the ROE. The results of the t-test also obtained a significance value of 0.000 smaller than 0.05 or a t-sig < 0.05 which means significant. This means that credit risk (NPL) has a positive and significant effect on roe (H3.2) received. Finally, the conclusion was reached that credit risk (NPL) has a positive and significant effect on financial performance (through ROA, ROE). A summary of the results of the t-test of the effect of RPL risk management on the financial performance of banks is presented in Table 3.

Table 3. T-Test Results of the Effect of NPL Risk Management on Financial Performance

Hypothesis Statement	T-Test Results		Hypothesis Description (Ha)	
	t-count[1]	Sig. [2]		
Credit risk (NPL) has a positive and significant effect on financial performance			Positive and significant effect	Accepted
Credit risk (NPL) has a positive and significant effect on ROA	2,783	0,006	Positive and significant effect	Accepted
Credit risk (NPL) has a positive and significant effect on ROE	4.298	0,000	Positive and significant effect	Accepted

[1]Effect when t-table (1.9822) < t count

[2]Significant when the t-sig < 0.05

The results of the t-test were then compiled a simple regression model of the influence between NPL risk management on financial performance as presented in Table 4. The Model 1 performs the roa's performance, and the Model 2 is roe.

Table 4. Simple Regression OLS Results Effect of NPL Risk Management on Financial Performance

Variable	Model 1 (ROA)	Model 2 (ROE)
Constant	-0,170 (0.604)	-0.755 (0.092)
NPL	0.207* (0.006)	0.434* (0.000)

* Significant effect on α 5%

Based on the results of hypothesis tests with OLS, a multiple linear regression equation was obtained between NPL risk management and financial performance as follows:

ROA = -0.170 + 0.207 NPL+ e

The value of the NPL regression coefficient of 0.207 is positive, this means that any increase in the NPL will increase the ROA by 0.207 assuming other free variables are fixed and vice versa.

ROE= -0.755 + 0.434 NPL+ e

The value of the NPL regression coefficient of 0.434 is positive, this means that any increase in the NPL will increase the ROE by 0.434 assuming another free variable remains, and vice versa.

DISCUSSION

Effect of Credit Risk (NPL) on ROA

The results of the analysis obtained that the t-count value of the effect of NPL on ROA was 2.783 > t-table (meaning influential), with a significance level of 0.006 < 0.05 (significant). It can be concluded that credit risk (NPL) has a positive and significant effect on ROA, so that the hypothesis referred to is accepted (Ha). The results of this finding can be interpreted that when foreign exchange banks maximize credit management, regulate the level of efficiency, and in a broad sense control lending to customers in accordance with the rate of return, it will have a significant effect on bank profitability. Vice versa, when banks reduce potential credit risk (significant negative influences), it will increase profitability and better financial performance. The results of this study are supported by other studies that risk management for credit affects the financial performance of banks in ROA (Attar et al., 2014). Likewise, Boahene et al., (2012); and Aduda & Gitonga (2011) that there is a positive and significant relationship between credit risk and the profitability of banks in terms of ROA. The results of the study differed from the findings by Rohaeni and Rudiansyah (2017) concluded that there was no significant influence between credit risk (NPL) on financial performance through profitability (ROA). It is also contradicted by the research of Mardiana et al., (2018); and Harun (2016) that NPLs have a negative and insignificant effect on ROA.

Effect of Credit Risk (NPL) on ROE

The analysis is related to subsequent hypothesis testing that credit risk (NPL) has a positive and significant effect on ROE (H3.2). The results of the analysis obtained that the t-count value of the effect of NPL on ROE was 4.298 > t-table (meaning influential), with a significance level of 0.000 < 0.05 (significant). This data shows that credit risk (NPL) has a positive and significant effect on ROE, thus the hypothesis referred to is accepted (Ha). The findings are supported by the results of previous research by Attar et al., (2014); Boahene et al., (2012); and Aduda & Gitonga (2011) that partially, risk management for credit (NPL) has an effect or there is a positive and significant relationship with the financial performance of banks in ROE. This finding also rejects the results of Ismanto (2020); and Li & Zou (2014) that partially that credit risk (NPL) has a negative and insignificant effect on ROE.

CONCLUSION

The results of the study obtained a t-count value between NPL and ROA of 2.783 greater than the t-table value (1.9822 < 2.783) which means that there is an influence between the two. The results of the t-test subsequently obtained a significance level of 0.006, smaller than 0.05 or t-sig < 0.05 which means significant. Thus the constructed hypothesis that NPLs have a positive and significant effect on ROE is accepted. Then the t-test between the NPL against the ROE obtained a t-count value of 4.298, which means that it is greater than the t-table value (1.9822 < 2.783) so that there is an influence between the NPL and the ROE. The results of the t-test also obtained a significance value of 0.000 smaller than 0.05 or a t-sig < 0.05 which means significant. This means that the constructed hypothesis that NPLs have a positive and significant effect on ROE is accepted. It was obtained that NPLs have a positive and significant effect on ROA and ROE, so that they can be used as information for foreign exchange banks in making policies related to improving bank financial performance. Partially credit risk (credit risk or non-performing loan / NPL) has a positive and significant effect on financial performance both in ROA, and in ROE.

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