

ABSTRACT

Banks are business entities that collect public funds in the form of savings or deposits and channel them back to the community in the form of credit and other forms to improve people's lives. Banking sector companies have an important role in the economic development of the country. However, in carrying out its business activities, the role of banks can never be separated from credit problems because credit is its main activity and is the biggest source of profit. If the bank is unable to manage the loans that have been channeled properly, it will lead to non-performing loans that will continue to increase.

This study aims to determine the effect of Environmental, Social, and Governance (ESG) performance and managerial ability on potential risk in go-public banking companies in Asia for the period 2017-2022 simultaneously and partially. The method used in this research is a quantitative method using secondary data obtained from the Thomson Reuters website.

The object used in this research is go-public banking companies in Asia for the period 2017-2022. The sample used was 80 and 480 observational data obtained for 6 years. This study uses panel data regression using Eviews 12 software in data processing.

The results showed that the Environmental, Social, and Governance (ESG) performance variables and managerial ability simultaneously affect potential risk. Partially, only managerial ability has a significant effect on potential risk, while the Environmental, Social, and Governance (ESG) performance variable has no significant effect partially on potential risk.

It is recommended for future researchers to add other factors that are thought to affect potential risk. Companies are expected to be able to evaluate and pay attention to factors that affect the company's risk level. For investors, it is hoped that this research can be taken into consideration in making investment decisions.

Keywords: Banking Risk, Environmental, Social and Governance (ESG) Performance, Managerial Ability.