ABSTRACT

Title
"Firm Performance Maximization through Effective Risk Management"

Purpose
The main purpose of my thesis is to examines the influence of total risk management on firm performance among Indonesian banking industry. I wish this paper could benefits many parties especially Indonesian firms which operates in banking industry. Other than that, investors, researchers, and many other parties also could use the results generated for the varied purposes. This paper is intended to increase public awareness (particularly institutions and individuals in Indonesia) towards the importance of effective risk management, since it could give quite huge impact on firm performance.

Methodology
This research use quantitative approach method, since the data used were generated from financial statements of all public banks registered in Indonesian Stock Exchange (IDX) during particular period. The main variables used in the study as the proxies for corporate performance are Return on Assets (ROA), Return on Equity (ROE), Tobin's Q and Earning Per Share (EPS), while the rest of the variables being implemented includes long-term debt, total equity, market-to-book ratio, net sales, net interest revenue, non-peforming loan, and total assets of the selected companies.

Findings
Through an observation using four measures of firm performance on finding the impacts of effective risk management on firm performance, the study found positive correlation between total risk management and firm performance. However, most of the coefficient generated are not significant. Therefore, these evidences are still not enough to say that total risk management has positive and significant impacts on firm performance. Moreover, there is no evidence found on the influence of specific investment rationale on the enhancement of the total risk management impact on firm performance such as those proposed by Andersen (2008).

Research Limitations
Several limitations in the study has been allegedly become one of the reasons why the results generated are insignificant. First, the difficulty in finding complete relevant data for Indonesian banking industries has imposed the observation to use only small data sample. Second, further research are needed to ensure the reliability of the proxies used. Furthermore, there are might several control variables neglected and not be used in the study while it could alter the results.

Keywords: Total Risk Management, Effective Risk Management, Firm Performance, Investment Rationale.

Chosen Major: Finance

Chosen Minor: Strategic Management