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Comparative Analysis of Inherent Risk, Risk Management Quality and Risk Across Eight Risk Types at PT Bank Maluku Malut

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Abstract

This study aims to analyze and compare inherent risk, risk management quality, and residual risk across eight types of risk at PT Bank Maluku Malut during the period 2022–2024. This research employs a descriptive-quantitative method with a comparative approach, utilizing secondary data derived from quarterly and annual risk profile reports. The results indicate that the bank's overall risk profile was categorized as PK-2 (controlled risk) in 2022 and 2024, while it increased to PK-3 (moderate risk) in 2023. This escalation was primarily driven by a decline in risk management quality, particularly in operational, liquidity, and compliance risks. Conversely, legal and reputational risks consistently remained at a low level and were effectively managed. These findings suggest that fluctuations in inherent risk are not always accompanied by proportional improvements in risk management quality, thereby affecting the bank's residual risk profile. Therefore, this study highlights the importance of implementing an integrated risk management system, such as Enterprise Risk Management (ERM) based on the COSO 2017 framework, supported by digital monitoring systems and enhanced human resource competencies, to ensure sustainable risk control and organizational performance.

KEYWORDS

inherent risk; risk management; residual risk; risk profile; regional bank.

Introduction

Banks, as financial intermediary institutions, play a crucial role in supporting economic growth, particularly in regional economies. However, one of the main challenges faced by banks is managing various types of risks effectively, including credit risk, market risk, liquidity risk, operational risk, and reputational risk. Ineffective risk management may disrupt financial stability and threaten business sustainability (Song et al., 2025; Wulandari et al., 2025). In the context of risk-based bank assessment, inherent risk reflects the level of exposure before control mechanisms are applied (Norouzi et al., 2024; Pu et al., 2023), while risk management quality indicates the effectiveness of policies, systems, and procedures in mitigating such risks. The interaction between these two aspects determines residual risk, which becomes a key indicator in assessing bank soundness under the Risk-Based Bank Rating (RBBR) framework established by the Financial Services Authority (Gustini & Afriani, 2012; Zefanya et al., 2022).

Bank Maluku Malut, as a Regional Development Bank operating in eastern Indonesia, faces dynamic risk conditions reflected in variations of inherent risk and risk management quality across different risk types (Zuhri, 2023). Several issues, such as credit irregularities, limited information technology support, and increasing operational costs, indicate potential weaknesses in risk management practices. This situation highlights the importance of conducting a comprehensive analysis of the bank's overall risk profile (Redaksi, 2022).

Previous studies generally focus on a single type of risk, such as credit or operational risk. For example, (Aprilliani & Asfar, 2020) emphasized inherent risk assessment, while

the (Ikatan Bankir Indonesia (IBI), 2016) explained the integration of inherent risk and risk management quality in determining composite risk ratings. However, limited studies have examined multiple risk types simultaneously using a comparative and longitudinal (Aprilliani & Asfar, 2020; Gumelar et al., 2024) approach. This indicates a methodological gap in the literature. However, a systematic comparative evaluation across multiple risk types and periods remains underexplored, particularly in regional development banks (Putri & Lisdiono, 2025; Rahman et al., 2021).

Therefore, this study aims to analyze and compare inherent risk and risk management quality across eight types of risk over a three-year period (2022–2024). This study contributes to the literature by providing a multidimensional and longitudinal analysis of bank risk profiles in a regional banking context. The findings are expected to support strategic decision-making and improve risk management practices in regional banks (Yu & Liu, 2025)(González et al., 2020; Greenbaum, 2013; Yu & Liu, 2025)(González et al., 2020).

Although this study does not directly compare peer institutions, it provides practical novelty by offering a multidimensional and multi-period risk assessment within a regional banking context, which remains limited in prior literature.

Methods

Table 1. Risk assessment scale

Score	Inherent risk score / Management Quality	Description
1	Very low	Zero impact
2	Low	Slight impact
3	Medium	Moderate impact
4	High	Significant risk
5	Very high	Extreme / severe risk

Source: POJK No. 18/POJK.03/2016

This study employed a descriptive-quantitative method with a comparative design to analyze and compare inherent risk, risk management quality, and residual risk at PT Bank Maluku Malut during the period 2022–2024. The comparative approach was selected to identify differences and trends in risk profiles across time and risk types, thereby providing a more comprehensive evaluation (Octavera et al., 2025; Yolifiandri et al., 2024).

The study utilized secondary data obtained from the bank's official risk profile reports, annual reports, risk management policy documents, Good Corporate Governance (GCG) reports, and internal audit reports. Data were collected using a documentation method by reviewing relevant institutional reports. To ensure data validity and reliability, the study cross-checked information across multiple official documents issued by the bank. The data collection technique is carried out using the documentation method, by reviewing annual reports and risk management documents with the following risk assessment scale (Yolifiandri et al., 2024):

The object of the study consisted of eight types of risks as regulated in (POJK, 2016), namely credit risk, market risk, liquidity risk, operational risk, legal risk, strategic risk, compliance risk, and reputational risk (Adwani, 2025; Dacre et al., 2024; Samorodov et al., 2019).

The data analysis was conducted through several stages (see table 1). First, inherent risk scores were identified based on the risk profile reports. Second, the quality of risk management was assessed for each risk type (Hasanah et al., 2025; Lestari & Nurhadianto, 2024). Third, residual risk was calculated using the formula (Octavera et al., 2025):

Residual Risk = Inherent Risk – Risk Management Quality

The residual risk was then classified into three categories: low (≤ 1), medium ($= 2$), and high (≥ 3). Finally, trend and comparative analyses were conducted to evaluate changes in risk levels during the period 2022–2024.

Result and Discussion

The following is the result of the data analysis of PT. Bank Maluku Malut's Risk Profile Matrix as of December 2022 (see Table 2)

Based on the analysis of PT. Bank Maluku Malut's risk profile matrix for the period through December 2022, it can be concluded that of the eight types of risks it faces, the majority fall into the Low to Moderate (LowMod) category, both in terms of inherent risk and composite risk after implementing risk management. Credit risk has an inherent risk score of 2.46 with a risk management quality of 2.42. Composite risk remains in the LowMod category. This indicates that the bank is able to consistently maintain the quality of its loan portfolio with an effective control system (Evoney & Margaretha, 2024; Samorodov et al., 2019). The non-performing loan (NPL) ratio is likely to remain low and under control. Market risk With an inherent risk score of 2.39 and a risk management quality of 2.27, market risk also falls into the LowMod category (Alfian, 2021; Dacre et al., 2024; Samorodov et al., 2019).

The bank's exposure to market risk is relatively small (5%) (Diantara & Budiarto, 2025), indicating that the bank is not very active in instruments exposed to market fluctuations, such as foreign exchange rates or floating interest rates. Liquidity Risk: Liquidity risk has an inherent risk score of 2.48 and a risk management quality of 2.37, remaining in the LowMod category. This indicates that the bank's cash and liquid asset management is quite good, capable of meeting short-term obligations without operational disruptions (Wahyuningsih et al., 2024; Wulandari et al., 2025). Operational Risk Unlike the previous risk, operational risk has an inherent score of 3.45 and a management quality of only 3.60 (Fair category), resulting in a composite risk of Moderate. This indicates the presence of interference in operational processes such as IT systems, work processes, or potential human error (Purnomo & Harwahu, 2025). Internal control needs to be improved in this area. Legal Risk: Legal risk received an inherent score of 2.30 and a management quality of 2.20, resulting in a composite score of LowMod (Jidda et al., 2025; Purnomo & Harwahu, 2025; Wahyuningsih et al., 2024).

This indicates that the bank has implemented an adequate legal system and contractual documentation, thereby minimizing the possibility of disputes or lawsuits. Strategic Risk: Strategic risk showed an inherent score of 2.39 with a risk management quality of 2.46. Both values are concise, but fall into the LowMod category. This indicates that the bank's strategy remains relevant to market conditions and the external environment, and is managed with clear direction (Karunia, 2025; Song et al., 2025). Compliance Risk is one of the risks requiring attention, with an inherent score of 3.45 and a management quality of 3.30, resulting in a composite risk of Moderate. This indicates that repeated violations of regulations and provisions continue to occur, and that the bank's compliance system is not yet fully effective in preventing noncompliance. Finally, reputational risk was assessed as the lowest, with an inherent score of 2.20 and a management quality of 2.30, resulting in a composite score of Moderate-Low (see Table 3). This reflects that public perception of Bank Maluku Malut remains positive and there are no significant issues affecting customer or public confidence (Adwani, 2025; Sihombing, 2025).

Table 2. Risk profile matrix for 2022

No	Risk type	Risk Inherent	Risk management quality	composite	Risk Type
1	Credit risk	LowMod 2,46	Satisfactory 2,42	LowMod	Credit Risk
2	Market risk	LowMod 2,39	Satisfactory 2,27	LowMod	Market Risk
3	Liquidity risk	LowMod 2,48	Satisfactory 2,37	LowMod	Liquidity Risk
4	Operational risk	Moderate 3,45	Fair 3,60	Moderate	Operational Risk
5	Legal risk	LowMod 2,30	Satisfactory 2,20	LowMod	Legal Risk
6	Strategic risk	LowMod 2,39	Satisfactory 2,46	LowMod	Strategic Risk
7	Compliance risk	Moderate 3,45	Fair 3,30	Moderate	Compliance Risk
8	Reputational risk	LowMod 2,20	Satisfactory 2,30	LowMod	Reputation Risk

Source: <https://bankmalukumalut.co.id/>

Table 3. Aggregate risk profile results (bank level) on 2022

Assesment component	value	Predicate	description
Inherent risk	2,64	Low to Moderate (LowMod)	The initial risk level is relatively low
Quality of risk management	2,61	Satisfactory	Risk management is quite efective
Composite (residual risk)	-	Low to Moderate	The ultimate risk remains under control
Aggregate risk rating	-	PK-2	The risk is under control and well managed

Table 4. Risk Profile Report for 2023

No	Types of Risk	Inherent Risk September 2023	Risk management quality September 2023	compund September 2023	Inherent Risk December 2023	Risk Management Quality December 2023	Compilation December 2023	Trend
1	Credit Risk	Moderate	Fair	Moderate	Moderate	Fair	Moderate	Stabil
2	Market Risk	Low/Mod	Satisfactory	Low/Mod	Low/Mod	Satisfactory	Low/Mod	Stabil
3	Liquidity Risk	Moderate	Satisfactory	Low/Mod	Moderate	Fair	Moderate	Naik
4	Operational Risk	Moderate	Fair	Moderate	Moderate	Fair	Moderate	Stabil
5	Legal Risk	Low/Mod	Satisfactory	Low/Mod	Low/Mod	Satisfactory	Low/Mod	Stabil
6	Strategic Risk	Moderate	Fair	Moderate	Moderate	Fair	Moderate	Stabil
7	Compliance Risk	Moderate	Fair	Moderate	Moderate	Fair	Low/Mod	Turun
8	Reputational Risk	Low/Mod	Satisfactory	Low/Mod	Low/Mod	Satisfactory	Low/Mod	Stabil
9	Risk Rating	Moderate	Satisfactory	Moderate	Moderate	Fair	Moderate	Stabil

Source: <https://bankmalukumalut.co.id/>

The results of the analysis of PT. Bank Maluku Malut's Risk Profile Matrix as of December 2023 are presented below (see Table 4).

Based on data from the December 2023 period, credit risk is in the Moderate category for inherent risk, with acceptable risk management quality, resulting in a Moderate composite risk. This indicates that while the level of credit risk is relatively high, risk management is not yet optimal. This indication points to a possible increase in non-performing loans (NPLs) and the need to strengthen the solvency assessment system and financial supervision. Market risk is in the Low to Moderate (LowMod) category for both inherent and composite risk, with risk management assessed as Satisfactory. This indicates that the bank's exposure to market fluctuations, such as interest rates and exchange rates, is low. Hedging strategies or a conservative portfolio structure may be key contributing factors. Liquidity risk: During this period, liquidity risk showed an increase, with inherent and composite risk in the Moderate

Category (Dacre et al., 2024). The quality of risk management was only assessed as Acceptable, indicating that short-term fund management and liquidity sources were not yet sufficiently robust. This increase requires a response with increased cash reserves, asset and liability maturity monitoring, and a more diversified funding strategy. Operational risk remains in the Moderate category, both in terms of inherent and compound risk. Management quality is also only Fair, indicating that weaknesses persist in business

processes, IT systems, and internal controls (Purnomo & Harwahu, 2025).

The potential for procedural errors, internal fraud, or service disruptions are the main sources of this risk, requiring strengthening of governance and SOPs. Legal risk is in the LowMod category, both in terms of inherent and residual risk. The quality of risk management is assessed as Satisfactory, indicating that the bank has adequate legal systems, documentation, and legal risk mitigation. There was no significant increase or change in legal performance during the quarter. Strategic risk remains in the Moderate category for all indicators, but the trend is downward compared to the previous quarter. This indicates an improvement in the alignment between business strategy and the external environment. However, management quality remains at the Fair level, requiring continuous improvement in long-term planning and strategy evaluation to ensure ongoing risk reduction. Compliance risk remains in the Moderate category, with Fair risk management quality. These indicators indicate persistent regulatory violations or non-compliance with applicable provisions. Efforts are required to improve the compliance culture, conduct internal audits, and update policies to prevent regulatory sanctions (Dewanti et al., 2025). Reputational risk remains in the Moderate-Low category, with Satisfactory risk management. This indicates that the bank enjoys a good public image and has not experienced significant incidents that threaten its reputation, such as major customer complaints or negative press. Communications and public relations

Table 5. Aggregate Risk Profile (Net Risk) for 2023

Component	Score component	Prdicate	Risk rating
Inherent risk	Moderate	No exact value is given, but the average inherent risk rating is: Moderate	
Risk management quality	Fair / Satisfactory (varies)	Risk management quality range: fair-satisfactory	
Composite risk (residual risk)	Moderate	Aggregate composite rating: Moderate (PK-3)	
Conclusion at the banking level	MODERATE	Risk management needs to be strengthened, especially in the areas of operations, liquidity, and compliance	

Table 6. Risk Profile Report for 2024

Risk profile	Inherent risk (50%) value	Inherent risk (50%) predicate	Inherent risk (50%) rating	Management quality Risk (50%) value	Management quality Risk (50%) predicate	Management quality Risk rating (50) predicate	Risk level rating value	K risk level rating	Risk profile
Credit risk	3,33	Moderate	3	2,50	Fair	3	3	PK-3	Credit Risk
Market risk	1,85	Low/Mod	2	2,54	Fair	3	2	PK-2	Market Risk
Liquidity risk	2,84	Moderate	3	2,58	Fair	3	3	PK-3	Liquidity Risk
Operational risk	3,02	Moderate	3	2,09	Satisfactory	2	2	PK-2	Operational Risk
Legal risk	1,19	Low	1	2,00	Satisfactory	2	1	PK-1	Legal Risk
Strategic risk	2,42	Low/Mod	2	2,25	Satisfactory	2	2	PK-2	Strategic Risk
Compliance risk	1,96	Low/Mod	2	2,12	Satisfactory	2	2	PK-2	Compliance Risk
Reputation risk	1,60	Low/Mod	2	1,87	Satisfactory	2	2	PK-2	Reputational Risk
Composite value	2,33	LOWMOD	2	2,25	SATISFACTORY	2	2	PK-2	Composite Score

Source: <https://bankmalukumalut.co.id/>

management are considered quite effective. This increase requires a response with increased cash reserves, asset and liability maturity monitoring, and a more diversified funding strategy (Sihombing, 2025).

Operational risk remains in the Moderate category, both in terms of inherent and compound risk. Management quality is also only Fair, indicating that weaknesses persist in business processes, IT systems, and internal controls. The potential for procedural errors, internal fraud, or service disruptions are the main sources of this risk, requiring strengthening of governance and SOPs (Purnomo & Harwahu, 2025). Legal risk is in the LowMod category, both in terms of inherent and residual risk. The quality of risk management is assessed as Satisfactory, indicating that the bank has adequate legal systems, documentation, and legal risk mitigation. There was no significant increase or change in legal performance during the quarter. Strategic risk remains in the Moderate category for all indicators, but the trend is downward compared to the previous quarter. This indicates an improvement in the alignment between business strategy and the external environment. However, management quality remains at the Fair level, requiring continuous improvement in long-term planning and strategy evaluation to ensure ongoing risk reduction. Compliance risk remains in the Moderate category, with Fair risk management quality. These indicators indicate persistent regulatory violations or non-compliance with

applicable provisions. Efforts are required to improve the compliance culture, conduct internal audits, and update policies to prevent regulatory sanctions. Reputational risk remains in the Moderate-Low category, with Satisfactory risk management. This indicates that the bank enjoys a good public image and has not experienced significant incidents that threaten its reputation, such as major customer complaints or negative press (see Table 5). Communications and public relations management are considered quite effective (Sihombing, 2025).

The results of the analysis of PT. Bank Maluku Malut's Risk Profile Matrix as of December 2024 are presented below (see Table 6).

According to December 2024 data, credit risk is considered quite high, with poor management. This reflects the need to improve the credit risk assessment and mitigation system, as well as the management of problem loans. The primary focus should be on monitoring non-performing loans (NPLs) and updating credit policies (Evoney & Margaretha, 2024). Market risk remains under control, reflecting low exposure to interest rate and exchange rate fluctuations. However, management needs to be improved to better adapt to market dynamics, particularly through the use of more strategic hedging instruments. Liquidity risk is in the moderately high category, indicating potential difficulties in meeting short-term obligations.

Risk management is not yet sufficiently robust, requiring

Table 7. Aggregate Risk Profile (Net Risk) for 2024

Component	Composite score	Predicate	Risk Rating
Inherent Risk (50%)	2,33	Low to Moderate (LowMod)	2
Management quality Risk (50%)	2,25	Satisfactory	2
Aggregate risk classification	2	PK-2 (well-managed risk)	Low-medium risk level

Table 8. Aggregate results of risk profile for 2022-2024

Year	Inherent Risk (Value & predicate)	Management quality risk (value & predicate)	Komposit / Residual Risk	Bank Risk Ratings
2022	2,64 (Low to Moderate)	2,61 (Satisfactory)	Low to Moderate	PK-2
2023	(Moderate - no exact value)	Fair - Satisfactory	Moderate	PK-3 (Increasing)
2024	2,33 (Low to Moderate)	2,25 (Satisfactory)	Low to Moderate	PK-2 (Declining)

improvements in cash management, liquidity ratios, and the diversification of funding sources. Operational risk remains high, particularly due to potential human, system, or procedural errors. However, the quality of management is quite good, reflecting improvements in the internal control system. Continuous process monitoring and HR training are required. Legal risk is at its lowest, with good management. There is no evidence of significant litigation. The contractual structure and legal aspects are functioning properly. Compliance with legal documentation needs to be maintained and improved. Strategic risk remains within reasonable limits, reflecting that the business strategy has responded appropriately to environmental changes. Strategic management is sound, but requires strengthening in terms of anticipatory measures and business innovation (Karunia, 2025; Tanjung, 2025). The risk of non-compliance is relatively controlled, with no significant violations. Compliance information and training systems operate satisfactorily. Constant monitoring of the implementation of OJK regulations and internal rules is required. The company's reputation is fairly stable, with no negative press or major complaints. External communications management is sound. However, maintaining this reputation through excellent service and transparency with stakeholders remains essential.

The year 2022 reflected relatively stable conditions, with relatively controlled initial risk exposure and effective risk management. While operational and compliance risks still require attention, overall, the bank remained capable of adequately managing risk. In 2023, the quality of the risk profile declined, reflected in the increase in the composite rating to PK-3. Operational, compliance, and liquidity risks showed weaker inherent values and management. This indicated greater risk pressures and inefficiencies in risk mitigation at that time. In 2024, significant improvements in risk management occurred. Inherent values decreased compared to the previous year, and the quality of risk management improved across almost all risk types. This indicates that PT. Bank Maluku Malut has successfully regained effective control of its risk profile, thereby regaining a PK-2 rating, as in 2022.

The analysis of PT. Bank Maluku Malut's Risk Profile Matrix for the period 2022-2024 illustrates the dynamics of risk levels and the effectiveness of their management. Overall, over the three-year period, the bank's risk profile displayed a fluctuating pattern, with relatively controlled conditions in 2022, increased risk in 2023, and further improvement in 2024. This pattern reflects the bank's ability to manage risks and respond to changes in the operating environment, market conditions, and internal challenges.

Risk Management Performance Assessment in 2022 In 2022

Bank Maluku Malut successfully maintained a risk profile in the Low to Moderate (LowMod) category, with an aggregate rating of PK-2. This indicates that the bank's risk exposure

remains relatively low and can be effectively managed through the implementation of appropriate risk management policies. The quality of risk management was rated Satisfactory, indicating that internal oversight and control systems are functioning adequately. However, there are indications that operational risk and compliance risk remain areas requiring special attention. Potential issues with information technology systems, human error, and delays in compliance reporting could increase future risk exposure. However, overall, 2022 represents a period of risk stability with good corporate governance and a positive public perception of the bank.

Increased Risk and Management Weaknesses in 2023

The 2023 period showed a decline in the quality of the bank's risk profile, as reflected in its composite rating of PK-3 (Moderate). This increased risk level was primarily due to weaker operational, liquidity, and compliance risk management. These results indicate that risk management faces challenges in maintaining effective controls in the face of potential external pressures, such as market fluctuations and changes in regulatory policy. The bank's management quality, which only reached a Fair rating, indicates that the risk mitigation system is not yet fully optimized. The possibility of non-performing loans (NPLs), deficiencies in short-term fund management, and noncompliance with OJK regulations are important indicators that the bank needs to strengthen its supervisory system and update its risk management policies. The year 2023 can be classified as a period in which risk management effectiveness declined due to poor internal coordination and supervision.

Risk Management Improvement and Recovery in 2024

The year 2024 marked a significant recovery in Bank Maluku Malut's risk profile. As shown in Table 7, the aggregate risk rating improved to PK-2, with inherent risk decreasing to 2.33 (low to moderate) and risk management quality improving to 2.25 (satisfactory). This improvement reflects management's success in strengthening internal control systems, improving credit assessment mechanisms, and training human resources in risk management. The most notable improvements were in operational risk and compliance risk, which previously represented key weaknesses. The bank also managed to maintain low levels of reputational and legal risk, demonstrating effective public communication and compliance with applicable legal provisions. This improvement indicates management's commitment to implementing more disciplined and measured risk governance.

Trend Analysis 2022-2024 and Implications

Based on Table 8, in a longitudinal comparison of the risk profile trend over the three years shows a cyclical pattern of improvement following periods of risk stress. While a controlled risk level (PK-2) was observed in 2022 and 2024, an anomaly was observed in 2023, with the risk increasing to PK-3. This

demonstrates that the effectiveness of a bank's risk management depends largely on its ability to adapt to internal and external changes (Lestari & Nurhadianto, 2024; Song et al., 2025). The return to PK-2 in 2024 reinforces the evidence that improvements in internal policies, improvements in operational control, and the strengthening of the compliance function have been effective. This result also aligns with the risk management principles based on the Basel Framework and the regulations of the Financial Services Authority (OJK), which emphasize the balance between risk appetite and risk tolerance in banking activities.

Strengths, Limitations, and Recommendations Bank Maluku Malut's main strength lies in its ability to maintain stable market, legal, and reputational risks, which have consistently remained in the low to moderate range throughout the analysis period. However, limitations persist in the areas of operational, liquidity, and compliance risks, which are sensitive to changes in procedures, regulations, and internal efficiency. To increase resilience to future risk fluctuations, the bank is recommended to:

Develop an early warning system based on historical risk data (Norouzi et al., 2024). Strengthen coordination between risk management, internal audit, and compliance units.

Provide regular training to risk managers to update their knowledge of current regulations. Implement a strategy to diversify funding sources and implement more adaptive liquidity management.

Conclusion

This study examines the risk profile and risk management effectiveness of PT. Bank Maluku Malut during the period 2022-2024. The objective is to assess the level of inherent risk, the quality of risk management, and the year-over-year trend. The results indicate that the bank's risk profile is generally in the Low to Moderate (LowMod) category, although it briefly increased to Moderate (PK-3) in 2023 due to poor operational, liquidity, and compliance risk management. In 2024, the situation improved, with the rating restored to PK-2, indicating greater effectiveness of the risk supervision and governance system.

These findings indicate that Bank Maluku Malut is able to adapt to risk pressures by strengthening its compliance function, improving operational controls, and optimizing the quality of risk management. The implementation of effective risk management has been shown to contribute to the stability of a bank's financial performance and reputation, in accordance with the principles of risk-based supervision regulated by the Financial Services Authority (OJK) and the Basel Committee framework (Samorodov et al., 2019). In context, the results of this study suggest that regional banks can achieve a manageable level of risk if they have an integrated and disciplined risk management mechanism in place (Adwani, 2025; González et al., 2020; Jidda et al., 2025; Suryanto & Imronudin, 2024; Yoewono & Prabowo,

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However, this study has limitations, such as the paucity of data derived exclusively from internal reporting and the lack of comparisons with similar banks. Therefore, further research is recommended to broaden the analysis with a comparative approach, incorporate financial performance and governance variables, and utilize quantitative methods to more deeply measure risk determinants. This step is expected to strengthen the understanding of the effectiveness of regional banking risk management and support the development of policies that promote the stability and resilience of the national financial system (Suryanto & Imronudin, 2024; Zefanya et al., 2022).

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Author contributions

The authors explicitly outline and describe their individual contributions to this research and the development of the manuscript to ensure transparency and clarity regarding each author's role in the project. Alend Talla, as the first and corresponding author, played the leading role in designing the overall structure of the research, conducting the analysis, and preparing the full manuscript draft. The second author, contributed to developing the research methodology and designing the structure of the publication manuscript. The third author contributed to the literature review and the final editing of the manuscript to ensure academic coherence and publication quality. All authors have read and approved the final version of the manuscript and agree to be accountable for all aspects of the work.

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