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Risk management disclosure of banking companies in Indonesia: The role of company characteristics, corporate governance, and ownership structure

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Abstract

This study aims to determine whether company characteristics, corporate governance, and ownership structure affect risk management disclosure in banking companies in Indonesia. This study uses a sample of 90 banking companies selected using the purposive sampling method for 3 years of observation, namely 2020-2022. Based on multiple linear regression analysis, it is concluded that company size and independent commissioners have a significant positive effect on risk management disclosure. Managerial ownership actually has a significant negative effect on risk management disclosure, which means that the results of this study are contrary to the hypothesis that managerial ownership is suspected of having a positive effect on risk management disclosure. Meanwhile, leverage, profitability, external auditor quality, and public ownership do not have a significant effect on risk management disclosure. The results of this study contribute to investors to provide information about various risks that can have good or bad impacts on banking companies so that they can help make more informed decisions.

Keywords: Risk management disclosures, company characteristics, corporate governance, ownership structure.

INTRODUCTION

The development of globalization in all fields has resulted in increasingly high and complex business risks faced by banking companies. Companies are required to be able to manage all risks that may be faced. Swarte et al. (2020) stated that good risk management can minimize and prevent fraud that can harm banks. To avoid the risks faced by banks and to protect stakeholders and increase compliance with laws and regulations, banks are required to be able to manage risk management well. The Financial Services Authority (OJK) as an institution that oversees financial services activities through POJK Regulation Number 55 / POJK.03 / 2016 in Article 2 paragraph 1 states that Banks are required to apply good governance principles in every Bank business activity at all levels or organizational levels. The obligation to disclose risk management is also stated in Bank Indonesia Regulation No. 11/25 / PBI / 2009 concerning the implementation of risk management for commercial banks. This regulation is based on the increasing complexity of banking products and activities, the risks faced will increase, with the increase in risks faced by banking, it is necessary to balance it with the quality of risk management implementation.

Risk management disclosure is a disclosure of the management of risks carried out by the company or how the company manages potential risks in the future (Fathimiyah, et al., 2012). With the disclosure of risk management, communication between stakeholders and management becomes better so that it can reduce the occurrence of information asymmetry between the principal and the agent. In addition, risk management disclosure also influences decision making by investors and creditors.

Stakeholder theory explains that companies that have a high level of risk will disclose broader risk information to provide justification and explanation of the risks that occur in the company (Amran et al., 2009). This means that the higher the risk faced by a company, the broader the risk disclosure made by the company's management will be. This aims to provide as much information as possible about the risks faced by the company to stakeholders, so that stakeholders can find out what causes the risk and the impact of the risk and how the company deals with the risks that occur.

Previous studies that examine the factors that influence risk management disclosure have been widely conducted, but the results are still inconsistent. In this study, the factors studied can affect the disclosure of corporate risk management are grouped into 3, namely company characteristics, corporate governance, and ownership structure. Company characteristics reflect the properties inherent in a corporate entity. The classification of company characteristics is divided into three groups, namely company structure, company performance, and company market (Benardi et al., 2009). In this study, company characteristics include company size, leverage, and profitability, all three of which can be used as benchmarks for company performance.

Kristiono et al. (2014), Gunawan & Zakiyah (2017) and Rujiin & Sukirman (2020) found that company size has a significant positive effect on risk management disclosure. Gunawan & Zakiyah (2017) found that auditor reputation and company size have an effect on risk management disclosure, while institutional ownership, board of commissioners size, and leverage have no effect on risk management disclosure. Roberto & Tarigan (2013) found a significant positive effect of leverage on risk management disclosure, while managerial ownership, public ownership and profitability levels have no significant effect on risk management disclosure. Meanwhile, Muslih & Mulyaningsih (2019) concluded that company size has no effect on risk management disclosure. A study on the leverage variable by Majid & Nurbaiti (2021) stated that leverage has a positive effect on risk management disclosure. The higher the leverage a company has, the higher the company's risk management disclosure will be, because when the company experiences an increase in the debt to asset ratio, creditors expect the company to disclose more information.

These results are in accordance with stakeholder theory which explains that companies are expected to disclose more risks in order to provide an assessment and explanation of what is happening to the company (Amran et al., 2009). Thus, the company can get a positive response from investors for the openness of risk information disclosed by the company. The research results of Sulistyaningsih & Gunawan (2016), Anisa (2012), Shagan (2022), Majid and Nurbaiti (2021), and Nustini & Nuraini (2022) also concluded that leverage has a positive effect on Risk Management Disclosure. Meanwhile, Gunawan & Zakiyah (2017), Fajrini (2021) and Rujiin & Sukirman (2020) concluded that leverage has no effect on risk management disclosure. Rujiin and Sukirman (2020) stated that the higher the profitability of a company, the more it will be required to expand the transparency of company information in order to provide trust to investors. Adnyana and Adwishanti (2020), Sudharto & Salim (2021), Nustini & Nuraini (2022), Cindy et al. (2022) also showed that profitability affects corporate risk management disclosure. While Majid and Nurbaiti (2021), and Shagan (2022), Muslih & Mulyaningtyas (2019) and Rujiin & Sukirman (2020) concluded that profitability does not affect corporate risk management disclosure.

Another factor that is studied that can affect risk management disclosure is corporate governance. Risk reduction can be done by having regulations that can direct and supervise the company, namely corporate governance (Susilo, 2017). The corporate governance structure includes an independent board of commissioners and external audit quality. Swarte et al. (2020) stated that risk management disclosure is positively influenced by the number of independent commissioners. This indicates that a high number of independent commissioners will increase the supervisory role of the board of directors. Meanwhile, Agista & Mimba, (2017) and Shagan (2022) concluded that the size of the independent commissioner has no effect on risk management disclosure.

Nustini & Nuraini (2022) and Cindy et al. (2022) concluded that external audit quality has a positive effect on risk management disclosure. Likewise, research by Gunawan & Zakiyah (2017) found that auditor reputation has an effect on risk management disclosure. Meanwhile, research by Ulfa (2018) found that external audit quality has no effect on the company's risk management disclosure. Ownership structure has also been widely studied as a factor suspected of influencing risk management disclosure. The more concentrated the ownership structure, the more likely the company is to disclose risk management. This is because concentrated company owners have a greater interest in protecting the value of their investments, and they believe that risk management disclosure can help them do so (Sudharto & Salim, 2021). The ownership structures studied in this study are managerial ownership and public ownership. Research by Lokaputra et al. (2022) and Swarte et al. (2020) explains that managerial ownership refers to shares owned by company management, while public ownership refers to company shares owned by the general public or parties outside the company. These two types of ownership have different roles in influencing the disclosure of corporate risk management. Public shareholders demand more detailed disclosure because of their limited access to company information. On the other hand, company management discloses risks because their interests as stakeholders are in line with the interests of the company.

Rujiin & Sukirman (2020) found that managerial ownership has an effect on corporate risk management disclosure, while research by Fathimiyah et al. (2012) and Swarte et al. (2020) found that managerial ownership has no effect on risk management disclosure. Swarte et al. (2020) concluded that public ownership has a significant positive effect on risk management disclosure. The increasing public ownership in a company means that more parties will need information about the company, so management is required to be able to provide this information. The results of research by Prayoga & Almilia (2013), Vitalia & Widyawati, (2016), Agista & Mimba (2017) also show that public ownership has a positive effect on risk management disclosure. Meanwhile, the results of research conducted by Fathimiyah et al. (2012), Roberto & Tarigan, (2013), Adiyanto (2018) and Kristiono et al. (2014) and Shagan (2022) showed that public ownership has no effect on risk management disclosure.

Based on the study above, it shows that there are still inconsistent results, so a more in-depth study is needed regarding risk management disclosure and the factors that influence it. Therefore, the purpose of this study is to determine the effect of company characteristics, corporate governance, and ownership structure on risk management disclosure of banking companies in Indonesia. The characteristics of the company in this study used company size, leverage and profitability. Corporate governance is measured by the quality of auditors and independent commissioners, while ownership structure is measured by management ownership and public ownership. The results of this study contribute to investors to provide information about various risks that can have good or bad impacts on banking companies so that they can help make more appropriate decisions.

Previous studies that examine the factors that influence risk management disclosure have been widely conducted, but the results are still inconsistent. In this study, the factors studied that can influence the disclosure of company risk management are grouped into 3, namely company characteristics, corporate governance, and ownership structure. Company characteristics reflect the inherent characteristics of a corporate entity. The classification of company characteristics is divided into three groups, namely company structure, company performance, and company market (Benardi et al., 2009). In this study, company characteristics include company size, leverage, and profitability, all three of which can be used as benchmarks for company performance. Kristiono et al. (2014), Gunawan & Zakiyah (2017) and Rujiin & Sukirman (2020) found that company size has a significant positive effect on risk management disclosure. Gunawan & Zakiyah (2017) found that auditor reputation and company size have an effect on risk management disclosure, while institutional ownership, board of commissioners size, and leverage have no effect on risk management disclosure. Roberto & Tarigan (2013) found a significant positive effect of leverage on risk management disclosure, while managerial ownership, public ownership and profitability levels have no significant effect on risk management disclosure. Meanwhile, Muslih & Mulyaningsih (2019) concluded that company size has no effect on risk management disclosure.

A study of the leverage variable by Majid & Nurbaiti (2021) stated that leverage has a positive effect on risk management disclosure. The higher the leverage a company has, the higher the company's risk management disclosure will be, because when the company experiences an increase in the debt-to-asset ratio, creditors expect the company to disclose more information. This result is in accordance with stakeholder theory which explains that companies are expected to disclose more risks in order to provide an assessment and explanation of what is happening to the company (Amran et al., 2009). Thus, the company can get a positive response from investors for the openness of risk information disclosed by the company. The research results of Sulistyaningsih & Gunawan (2016), Anisa (2012), Shagan (2022), Majid & Nurbaiti (2021), and Nustini & Nuraini (2022) also concluded that leverage has a positive effect on Risk Management Disclosure. Meanwhile, Gunawan & Zakiyah (2017), Fajrini (2021) and Rujiin & Sukirman (2020) concluded that leverage has no effect on risk management disclosure.

Rujiin and Sukirman (2020) stated that the higher the profitability of a company, the more it will be required to expand the transparency of company information in order to provide trust to investors. Adnyana & Adwishanti (2020), Sudharto & Salim (2021), Nustini & Nuraini (2022), Cindy et al. (2022) also showed that profitability affects corporate risk management disclosure. Meanwhile, Majid & Nurbaiti (2021), and Shagan (2022), Muslih & Mulyaningtyas (2019) and Rujiin & Sukirman (2020) concluded that profitability does not affect corporate risk management disclosure.

Another factor that is studied that can affect risk management disclosure is corporate governance. Risk reduction can be done through regulations that can direct and supervise the company, namely corporate governance (Susilo, 2017). The corporate governance structure includes an independent board of commissioners and external audit quality. Swarte et al. (2020) stated that risk management disclosure is positively influenced by the number of independent commissioners. This indicates that a high number of independent commissioners will increase the supervisory role of the board of directors. Meanwhile, Agista and Mimba, (2017) and Shagan (2022) concluded that the size of independent commissioners had no effect on risk management disclosure. Nustini & Nuraini (2022) and Cindy et al. (2022) concluded that external audit quality had a positive effect on risk management disclosure. Likewise, research by Gunawan & Zakiyah (2017) found that auditor reputation had an effect on risk management disclosure. Meanwhile, research by Ulfa (2018) found that external audit quality had no effect on the company's risk management disclosure.

Ownership structure has also been widely studied as a factor suspected of influencing risk management disclosure. The more concentrated the ownership structure, the more likely the company is to disclose risk management. This is because concentrated company owners have a greater interest in protecting the value of their investments, and they believe that risk management disclosure can help them do so (Sudharto & Salim, 2021). The ownership structures studied in this study are managerial ownership and public ownership. Research by Lokaputra et al. (2022) and Swarte et al. (2020) explains that managerial ownership refers to shares owned by company management, while public ownership refers to company shares owned by the general public or parties outside the company. These two types of ownership have different roles in influencing corporate risk management disclosure. Public shareholders demand more detailed disclosure because of their limited access to corporate information. On the other hand, corporate management discloses risks because their interests as stakeholders are in line with the interests of the company. Rujiin & Sukirman (2020) found that managerial ownership affects corporate risk management disclosure, while research by Fathimiyah et al. (2012) and Swarte et al. (2020) found that managerial ownership had no effect on risk management disclosure. Swarte et al. (2020) concluded that public ownership had a significant positive effect on risk management disclosure. The increasing public ownership in a company means that more parties will need information about the company, so management is required to be able to provide this information. The results of research by Prayoga & Almilia (2013), Vitalia & Widyawati, (2016), Agista & Mimba (2017) also show that public ownership has a positive effect on risk management disclosure. Meanwhile, the results of research conducted by Fathimiyah et al. (2012), Roberto & Tarigan, (2013), Adiyanto (2018) and Kristiono et al. (2014) and Shagan (2022) show that public ownership has no effect on risk management disclosure.

Based on the study above, it shows that there are still inconsistent results, so a more in-depth study is needed regarding risk management disclosure and the factors that influence it. Therefore, the purpose of this study is to determine the effect of company characteristics, corporate governance, and ownership structure on risk management disclosure of banking companies in Indonesia. Company characteristics in this study used company size, leverage and profitability. Corporate governance is measured by the quality of auditors and independent commissioners, while ownership structure is measured by management ownership and public ownership. The results of this study contribute to investors to provide information about various risks that can have good or bad impacts on banking companies so that they can help make more appropriate decisions.

LITERATURE REVIEW

Stakeholder Theory

Stakeholder theory explains that companies have a goal to provide benefits to stakeholders outside the company's goals that must be achieved (Anisa, 2012). Companies that have a high level of risk will convey more information about the risk with the aim of providing justification and explanation of the situation within the company (Amran, et al., 2009).

Signaling Theory

Risk management disclosure as a form of management initiative to provide a positive signal to stakeholders. Risk management disclosure is useful for providing information that management can be responsible for the realization of corporate governance, one of the steps is to carry out corporate risk management which is disclosed through the company's annual report (Swarte et al., 2020).

Risk Management Disclosure

Risk management is a process and activity carried out to handle and manage all risks for the benefit of the company (Amran et al., 2009). Disclosure of risk management means disclosure of the risks that the company has and how the company manages these risks (Amran et al., 2009). Disclosure of risk management will see how far the company is in disclosing what risks will be faced and what solutions are provided, as well as what actions are taken to minimize these risks. Risk itself will always be present in various situations, especially in a business and it will be very impossible to eliminate. Therefore, so that the risks that are present do not have a major impact on the company, risk management is needed.

Research Hypothesis

The Effect of Company Size on Risk Management Disclosure

Nustini & Nuraini (2022) stated that company size is used in many studies to explain its effect on financial structure. Company size can play an important role in the bargaining power of financial contracts. Company size will be proportional to the demand for transparency in the disclosure of company information. Generally, the larger the company, the more stakeholders the company will be involved, including creditors and shareholders. In addition, the larger the company, the more complex the business processes will be. Companies are required to be transparent in disclosing company risk information in order to satisfy interested parties. Research conducted by Rujiin & Sukirman (2020), Larasati & Asrori (2020) found that company size has a positive effect on risk management disclosure.
H1: Company size has a positive effect on risk management disclosure

The Effect of Leverage on Risk Management Disclosure

In analyzing a company's financial health, leverage is one of the important indicators that describes the company's ability to meet long-term obligations by comparing debt with its assets (Majid & Nurbaiti, 2021). If the company's leverage level is high, it means that the company has a capital structure with a larger amount of debt compared to its equity. This can create high financial risks that can affect the continuity of the company's business. Companies with high debt levels tend to be more speculative and risky, so broader disclosure of risk information is important in order to reduce conflicts of interest, both between internal and external parties (Shagan, 2022).

High disclosure of risk information is also a necessity for companies with high leverage. This is because creditors as the party providing the loan will pay close attention to the company's finances, especially regarding debt management (Shagan, 2022). In addition, more comprehensive disclosure of risk aims to eliminate doubts and provide confidence to shareholders in ensuring that their rights as investors are fulfilled (Shagan, 2022). Thus, transparency in disclosing risk information can help companies build trust and gain support from stakeholders, as well as minimize potential disputes or

uncertainties that can affect the company's performance and reputation. Research conducted by Majid & Nurbaiti (2021), Nustini & Nuraini (2022) found that leverage has a positive effect on corporate risk management disclosure.
H2: Leverage has a positive effect on risk management disclosure.

The Effect of Profitabilitye on Risk Management Disclosure
Profitability ratio is a financial analysis tool used to assess a company's financial performance and measure how efficient the company is in generating profits from its sales and operations (Nustini & Nuraini, 2022). A company that has high profitability indicates that its performance is good so that the company is more confident in facing risks and has sufficient resources to overcome the possible negative impacts of the risks faced (Nustini & Nuraini, 2022). As a result, the company will be more motivated to disclose risks openly and transparently because they feel they have a strong position in dealing with them. Research conducted by Astuti (2020), Nustini & Nuraini (2020), Rujiin & Sukirman (2020) concluded that profitability has a positive effect on corporate risk management disclosure.
H3: Profitability has a positive effect on risk management disclosure.

The Effect of Independent Commissioners on Risk Management Disclosure
Article 1 number 5 of Law No. 1 of 1995 states that independent commissioners are a company organ that has the obligation to supervise and provide advice to the board of directors in running the company. The position of independent commissioners is as representatives of minority shareholders, so that independent commissioners prioritize the interests of investors (Rujiin & Sukirman, 2018). The greater the number of independent commissioners, the greater the disclosure of company risk management information (Wardhana & Cahyonowati, 2013). Regulations issued by the Financial Services Authority number 33/PJOK.04/2014 state that the minimum number of independent commissioners is 30% of the total number of members of the board of commissioners. Research conducted by Swarte et al. (2020), Adnyana & Adwishanti (2020), Wahyuni et al. (2020) found that independent commissioners have a positive effect on the disclosure of company risk management.
H4: The number of independent commissioners has a positive effect on the disclosure of risk management.

The Effect of External Auditors on Risk Management Disclosure
External auditors have a role in helping companies disclose risk management. The quality of external auditors is based on the auditor's reputation. The auditor's reputation is one of the things considered by the public to assess the credibility of a financial report audited by the auditor. The auditor's reputation will also affect shareholder trust, KAPs that have a high reputation are the Big Four KAPs. Therefore, the Big Four KAPs will be used as a proxy because they already have a reputation with high credibility from the perspective of the company and shareholders (Nustini & Nuraini 2022). Internal audits will get support from external auditors in the process of disclosing corporate risk management, namely by producing better quality assessments and supervision of corporate risk. Nustini & Nuraini (2022) found that external audit quality affects corporate risk management disclosure.
H5: External audit quality has a positive effect on risk management disclosure

The Effect of Managerial Ownership on Risk Management Disclosure
The implementation of stakeholder theory will encourage banking companies to fulfill the desires of their stakeholders. Through Risk Management disclosure, it is hoped that the desires of stakeholders can be accommodated so as to produce a harmonious relationship between the bank and its stakeholders (Larasati & Asrori, 2020). One of the factors that can influence the company's risk management disclosure activities is corporate governance, one of which is managerial ownership. Lokaputra et al. (2022), and Rujiin & Sukirman (2020) concluded that risk management disclosure is positively influenced by managerial share ownership.
H6: Managerial ownership has a positive effect on risk management disclosure

The Effect of Public Ownership on Risk Management Disclosure

Public ownership is the ownership of shares by the general public and other parties outside the company. Public investors who are part of the general public have the power to demand that companies clearly disclose risks in financial reports, given that their access is limited in understanding the company's overall condition through published financial reports. Concentration of public ownership can put pressure on company management to provide comprehensive and transparent risk disclosures (Nustini & Nuraini 2022).

The level of public ownership also affects the disclosure of information by the company. The smaller the proportion of shares owned by outside investors, the less information the company discloses to meet the needs of shareholders (Sudharto & Salim, 2021). This shows that companies must consider the demands of public shareholders in preparing financial reports and maintaining openness in providing relevant and accurate information to all stakeholders. In this way, companies can build trust and good relationships with their shareholders and the general public as a whole. Swarte et al. (2020), and Sudharto & Salim (2021) show that public ownership has a positive effect on risk management disclosure. H7: Public Ownership has a positive effect on risk management disclosure.

RESEARCH METHODS

Research Population and Sample

The population of this study was 46 banking companies listed on the IDX in 2020-2022. The purposive sampling method was used to select samples, and 30 companies were selected as samples each year. During the 3 (three) years of observation period, 90 research samples were selected. The sample selection process is presented in table 1 below:

Table 1. Sample Selection Process

No	Keterangan	Jumlah
1	Banking Companies Listed on the IDX in 2020-2022	46
2	Companies That Did Not Make Profit in 2020-2022	(16)
	Number of Samples per Year	30
	Total Samples for 3 Years of Observation	90

Source: www.idx.go.id and the company's website

Data Collection Method

The type of data used in this study is secondary data obtained from the annual reports of companies listed on the IDX in 2020-2022 on the official IDX website, namely ww.idx.co.id. The data collection method is carried out using documentation techniques.

Operational Definition and Measurement of Variables

This study used 1 (one) dependent variable and 7 (seven) independent variables. The dependent variable of this study is risk management disclosure, while the independent variables consist of company size, leverage, profitability, number of independent commissioners, external auditor quality, managerial ownership, and public ownership. Risk management disclosure (RMD) is measured using risk management disclosure items developed by Achmad et al. (2017) which is guided by OJK 2014: The Indonesia Corporate Governance Manual. There are 37 disclosure items classified into 6 parts. Each disclosed item will be given a value of 1 (one) and 0 if the item in question is not disclosed. Then the items are added up to determine the company's risk management index. Risk management disclosure (RMD) is calculated using the following formula:

D= (Number of items disclosed)/37

$$RMD = \frac{Number\ of\ items\ disclosed}{37}$$

Risk management disclosure items are grouped into six, namely Financial Risk, Operational Risk, Empowerment Risk, Information Processing and Technology Risk, Integrity Risk, and Strategic Risk. Table 2 below presents the Risk category and Risk detail:

Table 2. Risk Management Disclosure Categories

Risk Category	***Risk Detail***
Financial Risk	(1) Interest rate, (2) Exchange rate, (3) Commodity, (4) Liquidity, and (5) Credit,
Operational Risk	(6) Customer satisfaction, (7) Product, (8) Development, (9) Efficiency and performance, (10) Sourcing, (11) Stock obsolescence and shrinkage, (12) Product and service failure, (13) Environmental, Health and safety, (14) Brand name erosion
Empowerment Risk	(15) Leadership and management, (16) Outsourcing, (17) Performance incentives, (18) Change readiness, (19) Communication,
Information Processing and Technology Risk	(20) Access, (21) Availability of infrastructure, (22) Integrity,
Integrity Risk	(23) Illegal acts, (24) Reputation, (25) Risk-management policy, (26) Management and employee fraud
Strategic Risk	(27) Business portfolio, (28) Competitors, (29) Pricing, (30) Valuation, (31) Planning, (32) Life cycle, (33) Performance measurement, (34) Regulatory, and (35) Sovereignty and political, (36) Environmental scan, (37) Industry

Sources: OJK (2016)

Independent variables consist of company size, leverage, profitability, number of independent commissioners, external auditor quality, managerial ownership and public ownership. The following are the measurements of each independent variable:

Company Size

The aspects used to measure company size in this study are based on research by Rujiin and Sukirman (2020) with the following formula:

$$\text{Company Size} = \text{Ln Total Asset}$$

Leverage

Leverage is a ratio that measures how much debt is in a company's capital structure. The formula used is based on research by Rujiin and Sukirman (2020) as follows:

$$Leverage = \frac{\text{Total Liabilitas}}{\text{Total Ekuitas}}\ x\ 100\%$$

Profitability

The level of profitability is useful to show the company's ability to generate profits from company resources such as assets and capital. Profitability is measured using net profit margin based on research by Rujiin and Sukirman (2020) with the following formula:

$$\text{Profitability} = \frac{\text{Net Income}}{\text{Net Sales}}\ x\ 100\%$$

Independent Commissioner

Independent commissioner variable in this study is measured as the proportion between independent commissioners and the total number of board of commissioners. The independent commissioner variable is based on research by Rujiin & Sukirman (2020) with the following formula:

$$\text{DKI} = \frac{\sum\text{Independent commissioner}}{\sum\text{total number of board of commissioners}}$$

The Quality of External Auditors

The quality of external auditors in this study is measured by a dummy variable. Companies audited by Big Four accounting firms are given a score of 1, while companies audited by Non-Big Four accounting firms are given a score of 0 (Muslih and Mulyaningtyas, 2019). The Big Four accounting firms consist of Deloitte Touche Tohmatsu, PwC (PricewaterhouseCoopers), EY (Ernst & Young), and KPMG.

Managerial Ownership

Managerial ownership refers to the ownership of shares by company management who are actively involved in corporate decision-making, including members of the board of directors and commissioners. To calculate managerial ownership, use the following formula based on research by Larasati & Asrori (2020):

$$\text{MOWN} = \frac{\sum \text{Shares owned by management}}{\sum \text{Number of shares outstanding}}$$

Public Ownership

Public ownership is shares owned by the general public and other parties outside the company. The measurement of the public ownership variable is based on research by Rujiin & Sukirman (2020) with the following formula:

$$\text{KP} = \frac{\sum \text{Shares owned by public}}{\sum \text{Number of shares outstanding}}$$

Data Analysis Methods

The data analysis method to test the research hypothesis is multiple linear regression analysis. The multiple linear regression equation is stated as follows:

RMD = α +β1SIZE+ β2LEV+ β3PROF+ β4AUDIT+ β5COMINDEP+ β6MOWN+ β7PUBLIC + e

Note:

α	= Constant
β	= Coefficient
RMD	= Risk Management Disclosure
SIZE	= Company Size
LEV	= Leverage
PROF	= Profitability
AUDIT	= External Auditor Quality
COMINDEP	= Independent Commissioner
MOWN	= Managerial Ownership
PUBLIC	= Public Ownership
e	= error term

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Descriptive statistical analysis is used to provide a description of the research variables including minimum value, maximum value, mean value, and standard deviation. In addition, each research variable is also analyzed in 3 categories, namely low, medium and high. Table 3 below presents the descriptive statistical analysis:

Table 3. Descriptive Analysis Results

The category range is calculated by subtracting the maximum value from the minimum value of each variable and then dividing it by 3. Table 4 below presents the results of calculating the category range of each research variable:

Table 4. Rentang Kategori Variabel Penelitian

Variabel	Category Range		
	Low	Medium	High
UK	27.58 – 30.08	30.09 – 32.58	32.59 – 35.08
LEV	0.19 – 16.61	16.62 – 33.02	33.03 – 49.44
PRO	0 – 0.17	0.18 – 0.35	0.36- 0.52
KI	0 – 0.33	0.34 – 0.67	0.68 - 1
KAE	0 – 0.33	0.34 – 0.67	0.68 - 1
KM	0 – 0.14	0.15 – 0.28	0.29 – 0.42
KP	0 – 0.20	0.21 – 0.40	0.41 – 0.60
RMD	0.22 – 0.43	0.44 – 0.63	0.64 – 0.84

Source: Data processing results

Classical Assumption Test

Multiple linear regression testing can be performed if the regression model has passed the classical assumption test which includes the normality test, multicollinearity test, and heteroscedasticity test. The results of the normality test using Kolmogorov-Smirnov show that the asymp sig. (2-tailed) is 0.200 which indicates that the data is normally distributed. The results of the normality test are presented in table 5 below: The purpose of the Multicollinearity Test is to determine whether there is a correlation between independent variables. The results of the multicollinearity test are presented in table 6 showing that the tolerance value of each variable exceeds 0.1 and the VIF value of each variable is below 10, so it is concluded that there are no symptoms of multicollinearity. The heteroscedasticity test in this study uses the Glejser Test. The heteroscedasticity test is carried out to evaluate whether there is a significant difference in the variance of the residuals in the regression model. The results of the heteroscedasticity test show that all variables have significant values greater than 0.05, so it is concluded that there are no symptoms of heteroscedasticity.

Hypothesis Testing Results

To determine the influence of each independent variable on the dependent variable, multiple linear regression analysis was performed. Table 5 below presents the results of hypothesis testing:

Table 5. Results of Hypothesis Testing

Variable	Predictions	Coeficient	t. statistic	Sig.t	Conclusion
Constant		0.158	1.113	0.269	
SIZE	Positive	0.017	3.776	0.001	H1 Supported
LEV	Positive	-0.002	-0.393	0.696	H2 Not Supported
PROF	Positive	-0.017	-0.252	0.802	H3 Not Supported
COMINDEP	Positive	0.087	2.066	0.042	H4 Supported
AUDIT	Positive	-0.005	-0.308	0.759	H5 Not Supported
MOWN	Positive	-0.759	-6.018	0.000	H6 Not Supported
PUBLIC	Positive	-0.043	-1.171	0.245	H7 Not Supported
F statistic =15.84, Sig. F= 0.000, Adj R Square= 0.539					

Source: Data processing results

Based on the results of multiple regression analysis in table 8 above, the following regression equation model is obtained:

RMD = 0.158 + 0.017 SIZE + 0.000 LEV - 0.017 PROF + 0.087 COMINDEP - 0.005 AUDIT + 0.759 MOWN - 0.043PUBLIC

The Adjusted R square value of 0.539 indicates that the large variation of independent variables consisting of company size, leverage, profitability, audit quality, managerial ownership and public ownership in influencing the Risk Management Disclosure variable is 53.9% and the remaining 46.1% is influenced by other factors outside the regression model.
The F statistic of 15.84 with a significance of 0.000 indicates that the regression model has passed the model suitability test or in other words the regression model is in accordance with the data used.

Discussion

Company Size and Risk Management Disclosure

The results of the H1 test successfully proved that company size has a significant positive effect on risk management disclosure. This shows that the larger the size of the banking company, the wider the company is in disclosing its risk management. The results of this study are in line with the research of Rujiin & Sukirman (2020), and Fajrina (2021) which explain that company size has a positive effect on risk management disclosure. The larger the company, the more complex the business processes carried out by the company, so that it will have an impact, especially on stakeholders and the surrounding environment. Therefore, the company will disclose company risk information to demonstrate the company's responsibility to the public. Large companies have more resources to manage risk and greater transparency. Good risk management helps companies avoid losses and improve performance. Transparency helps companies build stakeholder trust and gain support from them (Widyiawati & Halmawati, 2018). Therefore, the company will try to provide information to stakeholders as a form of responsibility.

Leverage and Risk Management Disclosure

The results of the H2 test failed to prove that leverage has a positive effect on risk management disclosure. This indicates that the proportion of debt in the company's capital structure does not affect the extent of risk management disclosure of banking companies. The results of this study are inconsistent with the findings of Majid & Nurbaiti (2021), Nustini & Nuraini (2022) who concluded that leverage has a positive effect on risk management disclosure. However, the results of this study are in line with the research of Fajrina (2021), Ramos & Cahyonowati (2021) which stated that leverage does not affect risk management disclosure. This result is likely due to the fact that banking companies with high leverage indicate that the company already has high trust from creditors. Creditor trust in banking is usually determined by various factors, including financial performance, business prospects, and the company's reputation. Therefore, banking companies may consider it unnecessary to increase risk management disclosure excessively just to increase creditor trust.

Profitability and Risk Management Disclosure

The results of the H3 test failed to prove a significant positive effect of profitability on risk management disclosure. The results of this study are not in line with the studies of Astuti (2020), Nustini & Nuraini (2020), and Rujiin & Sukirman (2020) which concluded that profitability has a positive effect on corporate risk management disclosure. However, the results of this study are in line with the research of Shagan (2020), Majid & Nurbaiti (2020) which explained that profitability does not affect risk management disclosure. The failure to support this third hypothesis is likely due to several reasons. First, companies are required to provide complete information about risks, even if the company experiences losses or has low profits in all conditions. Moreover, when a company experiences low profitability which indicates that the risks faced by the company are high, and as a result the company will tend to make less risk disclosure (Muslih & Mulyaningtyas, 2019). In addition, the sales figures listed in the income statement do not always reflect the company's overall performance. Although sales may be high, there is no guarantee that the company's receivables are running smoothly (Adnyana & Adwishanti, 2020). Therefore, another reason for not supporting this third hypothesis is that high sales do not always indicate a good financial situation for the company.

Independent Commissioners and Risk Management Disclosure

The results of the H4 test successfully proved that the number of independent commissioners in banking companies has a significant positive effect on risk management disclosure. The results of this study are in line with the research of Swarte et al. (2020), Wahyuni et al. (2020), which explains that the number of Independent Commissioners has a positive effect on risk management disclosure. A higher number of independent commissioners can increase risk management disclosure because independent commissioners have an important role in overseeing the company's risk management. Independent commissioners have an obligation to act in the best interests of the company, and they have no personal or financial relationships with the company's management (Swarte et al., 2020). This makes them more objective in assessing the effectiveness of the company's risk management. Independent commissioners also have broader knowledge and experience than non-independent commissioners. They can provide valuable input to company management on how to manage risk effectively. With more independent commissioners, companies are more likely to disclose more complete and accurate information about their risk management (Wahyuni et al., 2020).

Quality of External Auditors And Risk Management Disclosure

The results of the H5 test failed to prove that the quality of external auditors of banking companies has a significant positive effect on risk management disclosure. This shows that even though banking companies use external auditors from Big Four KAPs, it does not guarantee that the company will disclose more company risks. The results of this study are in line with the research of Wahyuni et al. (2020), and Shagan (2022) which explain that auditor quality does not affect risk management disclosure. This result is likely due to the fact that companies that have used the services of auditors from Big Four KAPs have generally gained the trust of stakeholders so that companies tend to only make disclosures in accordance with the standards set by the government, without the need for more in-depth disclosures. Therefore, companies audited by Big Four KAPs only need to disclose relevant risk information in accordance with the established rules.

Managerial Ownership and Risk Management Disclosure

The results of the H6 test failed to prove that managerial ownership has a significant positive effect on risk management disclosure, because managerial ownership in this study actually has a significant negative effect on risk management disclosure. This result is inconsistent with the research of Lokaputra et al. (2022), and Rujiin & Sukirman (2020) which concluded that risk management disclosure is positively influenced by managerial share ownership. However, the results of this study are in line with the findings of Swarte et al. (2020) and Wijaya & Astuti (2020) which stated that managerial ownership has a negative effect on risk management disclosure. This result is likely due to the fact that banking managers who act as shareholders tend to avoid risk. They will avoid taking actions that could endanger the value of their shares, including disclosing information that could be considered a risk. In addition, it is likely that these banking managers do not want to disclose information that can be used by competitors to gain an advantage. As a result, companies with high managerial ownership tend to disclose less information about their risks than companies with low managerial ownership.

Public Ownership and Risk Management Disclosure

The results of the H7 test failed to prove that public ownership has a positive effect on risk management disclosure. This result is inconsistent with the research of Swarte et al. (2020), and Sudharto & Salim (2021) which concluded that public ownership has a positive effect on risk management disclosure. However, this result is in line with the research of Cindy et al. (2022), Shagan (2022), which explains that public ownership has no effect on risk management disclosure. This result is likely due to the fact that banking companies that have increasingly large public share ownership tend not to disclose risk management information if the costs incurred are greater than the benefits obtained. This is consistent with the research of Fajrina (2021) which found that public ownership has no effect on corporate risk disclosure. Companies with large public ownership tend to disclose information only if the information is beneficial to the public.

CONCLUSION AND SUGGESTIONS

Conclusion

This study concludes that (1) Company size and the number of independent commissioners are proven to have a significant positive effect on risk management disclosure. This means that the larger the company size and the number of independent commissioners, the wider the risk management disclosure of banking companies, (2) Managerial ownership actually has a significant negative effect on risk management disclosure, which means that the results of the study are contrary to the hypothesis, namely that managerial ownership is suspected of having a positive effect on risk management disclosure, (3) Leverage, profitability, external auditor quality, and public ownership are not proven to have a significant effect on risk management disclosure.

Limitation and Suggestion

This study has limitations in the use of content analysis to collect data on risk management disclosure, because this content analysis method is subjective. Subjectivity can occur because researchers need to make decisions about how to categorize and interpret data. Therefore, it is recommended that future researchers can reduce the level of subjectivity in using the content analysis method by using clear and transparent methods in the content analysis process. Future researchers can use qualified software and hardware to increase time efficiency so that not much time is wasted.

In addition, the content analysis method used in this research is subjective in collecting dependent variable data. Subjectivity can occur because researchers need to make decisions about how to categorize and interpret data. This decision may be influenced by the researcher's experience, bias, and interpretation. Content analysis can also take a long time, because researchers need to read and analyze all the content to be analyzed. Several things to reduce these shortcomings can be started by using clear and transparent methods in the content analysis process. Researchers can use capable software and hardware to increase time efficiency so that not much time is wasted.

Implication

The results of the study have implications for investors and the risk management profession. For investors, the results of this study can contribute to finding various risks that will have good or bad impacts on the company so that it will produce more appropriate decisions. For the risk management profession, the results of this study can contribute to anticipating company information that is withheld from being disclosed.

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