

# The Effect of Public Ownership, Risk Management Committee, Bank Size, Leverage, and Board of Commissioners on Risk Management Disclosures (Empirical Study in Banking Sector Companies Listed on the Indonesia Stock Exchange for the Period 2011-2015)

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## ABSTRACT

Every company is definitely at financial risk or operational risk. In a uncertain economic situation, risk management is one of the ways to reduce and deal with the possible risk faced by the company. This research aims to analyze the effect of public ownership, risk management committee, bank size, leverage and the board of commissioners on the disclosure of risk management. The population used in this study is secondary data derived from annual reports of conventional banking companies listed on the Indonesia Stock Exchange (IDX), period 2011-2015. A sample of 35 companies is obtained through purposive sampling method. The statistical method used is regression analysis. Hypothesis test is conducted by t test and F test. The results of this study show that (1) public ownership has no effect on risk management disclosure, (2) risk management committee has an effect on risk management disclosure, (3) bank size has no effect on risk management disclosure, (4) leverage has an effect on risk management disclosure, (5) the board of commissioners has an effect on risk management disclosure.

## ABSTRAK

Setiap perusahaan pasti menghadapi risiko finansial atau risiko operasional. Dalam situasi ekonomi yang tidak pasti, manajemen risiko adalah salah satu cara untuk mengurangi dan menangani kemungkinan risiko yang dihadapi oleh perusahaan. Penelitian ini bertujuan untuk menganalisis pengaruh kepemilikan publik, komite manajemen risiko, ukuran bank, leverage dan dewan komisaris terhadap pengungkapan manajemen risiko. Populasi yang digunakan dalam penelitian ini adalah data sekunder yang berasal dari laporan tahunan perusahaan perbankan konvensional yang terdaftar di Bursa Efek Indonesia (BEI), periode 2011-2015. Sampel dari 35 perusahaan diperoleh melalui metode purposive sampling. Metode statistik yang digunakan adalah analisis regresi. Uji hipotesis dilakukan dengan uji t dan uji F. Hasil penelitian ini menunjukkan bahwa (1) kepemilikan publik tidak berpengaruh terhadap pengungkapan manajemen risiko, (2) komite manajemen risiko berpengaruh terhadap perubahan manajemen risiko, (3) ukuran bank tidak berpengaruh terhadap pengungkapan manajemen risiko, (4) leverage berpengaruh terhadap manajemen risiko pengungkapan, (5) dewan komisaris berpengaruh terhadap pengungkapan manajemen risiko.

## INTRODUCTION

For outside parties, financial statement is the information that allows them to see the condition of a company during a reporting period. Information obtained in a company's financial statements depends on the level

of disclosure of the financial statements. Therefore, information in the disclosed financial statements must be adequate. This adequate information can be used as a basis for decision making that can help decision makers (investors, creditors, and other information

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users) in anticipating increasingly changing economic conditions (Luciana and Ikka, 2007).

Banks are institutions that have an important role in carrying out the intermediation function of the flow of funds in an economy. If a bank experiences problems, the impact will spread rapidly, especially to the decisions of customers, investors, and other parties to conduct business activities using bank services. And if the problems are not handled appropriately, it will create a contagion effect both domestically and internationally. Seeing the importance of the role of banks, the existence and the sustainability of the banking business in an economy are areas that are strictly regulated and monitored by the authority of a country. The main objective is to maintain customer confidence in the banking industry.

The increasingly dynamic and complex development in world of banking and macroeconomics requires banks to improve their ability to anticipate, calculate and minimize the risks faced. It must also be acknowledged that the banking industry is an industry that is full of risks, especially because it involves managing public money and playing it in the form of various investments, such as granting credit, purchasing securities and investing other funds. All bank activities from both assets and liabilities contain various types of risks, such as market risk, credit risk, liquidity risk, and other risks. The size of the risk will depend on various related factors, such as the ability and carefulness of management in managing the risk.

Bank Indonesia's trust in the banks in Indonesia is not always adhered to, so there have been several cases of financial report manipulation carried out by banks, such as the case that occurred in PT Lippo Bank Tbk and the case of PT Bank Century. As a result, this phenomenon makes the public always demand that companies to expand the practice of disclosure in annual reports so that there is no information shortage, one of which is risk disclosure. The public demand is in line with Bank Indonesia Regulation No.11 / 25 / PBI / 2009 dated July 1, 2009 concerning Application of Risk Management for Commercial Banks and Bank Indonesia Circular No.13 / 23 / DPNP dated October 25, 2011 concerning the Implementation of Risk Management for Commercial Banks. Risk Management is an absolute part of banking in Indonesia in increasing risk awareness. The application

of risk management in banks is related to the increased risk that must be borne by the banks.

Enterprise Risk Management (ERM) began when the US Securities & Exchange Commission (SEC) submitted a proposal in order that companies made more complete information disclosures related to risk management supervision practices. ERM is a strategy used to handle and manage all company risks. Formal and structured ERM implementation is a must for the company. If ERM is implemented effectively, it will provide strength for the implementation of Good Corporate Governance (Beasley et al., 2005 in Meizaroh and Lucyanda, 2011).

One of the ownership structures in the Bank Indonesia Regulation is public ownership. Public ownership is the ownership of company shares by the general public or by outsiders. Public share ownership is a portion of outstanding shares owned by the general public. Leverage is a way to measure the amount of debt used to finance investments. To assess the level of risk of the company, the measurement is done using debt to asset ratio. Bank size or firm size is the size of the resources owned by the company. Firm size can be expressed in total assets, sales, and market capitalization. The Board of Commissioners is a corporate organization that supervises and provides advice to directors to ensure that the company is managed in accordance with the company's goals and objectives.

According to Iin (2016), leverage does not affect risk management disclosure, while profitability and firm size influence risk management disclosures. Research by Sulistyaningsih and Barbara (2016) states that managerial ownership, auditor reputation, leverage, and firm size have no effect on risk management disclosure, while public ownership and size of board of commissioners have a positive effect on risk management disclosure. Annisa and Siti (2017) prove that number of board of commissioners, size of independent board of commissioners, number of board of commissioner meetings, size of independent audit committee, and Islamic supervisory board do not affect the disclosure of Islamic banking risk management, while the audit committee has a positive effect on Islamic banking risk management disclosures.

Research by Citrawati and Fauzi (2010) states that independent commissioners and risk management committees have no effect on enterprise risk management disclosures,

while board size, auditor reputation, and ownership concentration affect enterprise risk management. From these studies there are inconsistent results. The difference in the results of the studies occurred because of differences in the study sample, independent research variables, population, period, and other factors. This research is important to do given the differences in the results of previous research and the importance of risk management for the banking sector, because risk management disclosures provide company details to find out how banks manage risk.

In this study, the author refers to the banking industry listed on the Indonesia Stock Exchange in 2011-2015. The rampant cases of corporate fraud, especially in banking sector, such as the cases of Citibank and Bank Mega in 2010-2011, have made research on the banking sector relevant. In the current era of globalization, bank products and activities are increasingly complex, thus increasing the risks faced by the bank. Meanwhile, research on risk management disclosure has not been widely carried out in Indonesia.

As argued above, the researcher was interested in finding out more about the effect of the variables related to risk management disclosure, and therefore the researcher set the title **“The Effect of Ownership Structure, Firm Size, Profitability, and the Board of Commissioners on Risk Management Disclosures”**

## **THEORETICAL FRAMEWORK AND HYPOTHESIS**

### **Agency Theory**

According to Jensen and Meckling, (1976) in Slamet, (2005), agency relations as is a contract in which one or more principals (owners) use other agents (managers) to carry out their company's activities. In agency theory, principal is the shareholder or company owner, while agent is the management that is obliged to manage the assets of the owner. Principals provide facilities and funds for the operational needs of the company, while agents as managers are obliged to manage the company, as entrusted by the principals, to increase the prosperity of the principal through increasing the value of the company (Slamet, 2005). As a reward, the agent will be given bonuses, salary increases, compensation, and promotion by the principals.

In a real practice, agents often violate the contracts that they have agreed upon jointly

with the principal, such as being responsible for the welfare of the company and increasing the prosperity of the shareholders. In reality, agents are more concerned with increasing welfare for themselves. Company management tends to get the maximum benefit with costs borne by other parties (Sanjaya, 2004 in Slamet, 2005). Conflict in agency theory is usually caused by decision makers who do not participate in taking risks as a result of decision making errors. According to the decision makers, the risk should be borne by the shareholders. This is what causes inconsistency between decision-making parties (managers) and shareholders.

The information disclosure made by the company in each of its financial statements can help reduce agency conflicts between owners and managers. One of the information disclosures needed is risk management disclosure in the company. All information regarding risk disclosures in the company's annual report will be very helpful and needed by both owners and managers in decision making.

### **Stakeholder Theory**

According to Windi and Andri (2012), stakeholder theory explains that companies do not only operate for the achievement of their goals but also provide benefits to stakeholders. The annual financial report made by the company is expected to show information that is useful to stakeholders. The information disclosure carried out by the company in each financial report can help stakeholders in decision making. One of the information disclosures needed is risk management disclosure in the company. All information regarding risk disclosures in the company's annual report will be very helpful and needed by stakeholders in decision making (Windi and Andri, 2012). Stakeholder satisfaction will have an impact in controlling economic resources so as to provide support for companies in achieving company goals. Based on stakeholder theory, companies that have a high level of risk will reveal justification and explanation of what is happening in the company (Amran et al., 2009). The higher the level of risk of the company, the more the risk disclosure that must be carried out by the company, because management needs to explain the causes of risk, the impact it has caused, and how companies manage risk (Linsley and Shrivess, 2006 in Ruwita and Harto, 2013).

### **Risk Management Disclosure**

According to Kasidi (2010: 3), risk management is a procedure design and the implementation of procedures to manage a business risk. The existence of risk management is an anticipation of the complexity of company activities triggered by the development of science and technological progress. Risk management disclosures can be interpreted as disclosure of risks that have been managed by the company in controlling related risks in the future (Venny et al., 2012). Risk disclosure is the company's effort to inform the users of the annual reports regarding what factors that threaten the company, so that it can be used as material in decision making.

Risk management is a process and method used by companies to manage the risks associated with achieving company goals, and risk always exists in business (Edo and Luciana, 2013). One important aspect in risk management is risk reporting or risk disclosure in the annual report. The company is said to have disclosed risks if the readers of the annual report are informed about opportunities or prospects, hazards, losses, and threats that will affect the company in the future (Siti, 2014). Risk disclosures in financial statements are grouped into two: mandatory disclosures and voluntary disclosures.

### **Public Ownership**

Public ownership is stock ownership by general public (not a significant institution). The ownership structure of a company can be referred to as a shareholding structure, which is a comparison between the number of stocks owned by internal party or management (insider ownership) and the number of stocks owned by external party (outsider ownership) (Suharli and Rachprilia, 2006).

### **Risk Management Committee**

In its formation, risk management committee (RMC) can be incorporated into an audit or can also be a separate and independent committee. Separate committees that specifically focus on risk issues (RMC) are considered to be an effective mechanism in supporting the board of commissioners to fulfill their responsibilities in the task of risk control and internal control management (Subramaniam, et al., 2009). In the banking sector, RMC is also called Risk Monitoring Committee. Based on the Regulation of Bank Indonesia No.8 / 4 / PBI / 2006, one

of the prerequisites that must be completed by Commercial Banks concerning GCG Implementation for Commercial Banks is the establishment of risk monitoring committee. This committee is a committee under the board of commissioners, which has the function of assisting the board of commissioners in supervisory duties, especially in the field of risk management.

### **Bank Size**

Firm (bank) size is the size of a company that can be seen from the size of the capital used, the total assets owned, or the total sales obtained. The bigger the company, the more information it discloses. According to Zulbahridar et al. (2014), the size of the company will directly reflect the high and low operating and investment activities of the company.

### **Leverage**

Leverage is a way to measure the amount of debt used to finance investments. To assess the level of risk of the company, the measurement is done using debt to equity ratio.

### **Board of Commissioners**

The Board of Commissioners is a corporate organization that supervises and provides advice to directors to ensure that the company is managed in accordance with the aims and objectives of the company (Sulistyaningsih and Barbara, 2016).

### **The Effect of Public Ownership on Risk Management Disclosure**

Company ownership by outsiders has a great power in influencing the company through mass media in the form of criticism or comments which are all considered as the voice of the community. The concentration of public ownership has an influence on outsiders so as to change the management of the company which initially went according to management's wishes but now it has limitations (Puspitasari, 2009 in Edo and Luciana, 2013). The greater the portion of shares held by the public, the greater the pressure the company receives to provide more information in its annual report, which includes risk management disclosure.

Research conducted by Sulistyaningsih and Barbara (2016) proves that public ownership has an effect on risk management disclosures. In addition, research conducted by La Ode (2014) also proves that public ownership influences risk management disclosure.

H<sub>1</sub>: Public ownership has an effect on risk management disclosures.



### **The Effect of Risk Management Committee (RMC) on Risk Management Disclosure**

Research by Meizaroh and Lucyanda (2011) shows empirical evidence that companies that have a risk management committee can devote more time, energy, and ability to evaluate all internal controls and handle the risks that occur. The existence of RMC can improve the quality of risk assessment and supervision and encourage companies to disclose their risks. Another research by Citrawati and Fauzi (2012) proves that risk management committee has an effect on risk management disclosures. In addition, research by Bestari (2010) also states that risk management committee has a positive effect on risk management disclosures.

H<sub>2</sub>: Risk management committee has an effect on risk management disclosures.

### **The Effect of Bank Size on Risk Management Disclosures**

Large companies can provide reports for internal purposes, where the information also functions as material for information needs to external parties, so there is no need to incur additional costs. The bigger the company, the more information it will reveal, and the more detailed the things that will be disclosed such as information about company risk management, because large companies are considered capable of providing such information (Edo and Luciana, 2013).

The bigger the industry, the more investors will invest in the company. This has an impact on the broader disclosure of corporate risk management, and the information provided will be more accurate and complete as the form of management accountability to investors (Sulistyaningsih and Barbara, 2016).

Research conducted by Iin Manis (2016) proves that firm (bank) size has an effect on risk management disclosures. In addition, the research conducted by La Ode (2014) also proves that firm size has an influence on risk management disclosures.

H<sub>3</sub>: Bank size has an effect on risk management disclosures.

### **Pengaruh Leverage terhadap Pengungkapan Manajemen Risiko**

The higher the level of leverage of a company, the wider the risk disclosure carried out by the company. This is because the higher the level of debt of a company, the higher the level of risk. So that the creditor requires transparency in financial reporting

and accountability for the use of funds that have been lent as a benchmark for returning debt. Previous studies that examined the effect of the level of leverage on risk management disclosures gave different results

Research conducted by Zeghal and El Aoun (2014) state that leverage has a negative effect on risk management disclosures. In addition, the researcher conducted by Hoyt and Liebenberg (2011) proves that leverage has an influence on risk disclosure management disclosures.

H<sub>4</sub>: Leverage has an effect on risk management disclosures.

### **The Effect of Board of Commissioners on Risk Management Disclosures**

The Board of Commissioners is a corporate organization that supervises and provides advice to directors to ensure that the company is managed in accordance with the aims and objectives of the Company. The greater the proportion of members of the board of commissioners, the greater the benefits of monitoring and information provision capacity, so that it is expected to improve the quality of risk management disclosures. Because the large number of board members allows companies not to be dominated by management in carrying out their roles more effectively (Sulistyaningsih and Barbara, 2016). Also a research by Sulistyaningsih and Barbara (2016) shows that the board of commissioners has a positive effect on risk management disclosures. In addition, research conducted by Citrawati and Fauzi (2012) also shows that the size of the board of commissioners also has an influence on risk management disclosures.

H<sub>5</sub>: The Board of Commissioners has an effect on risk management disclosures

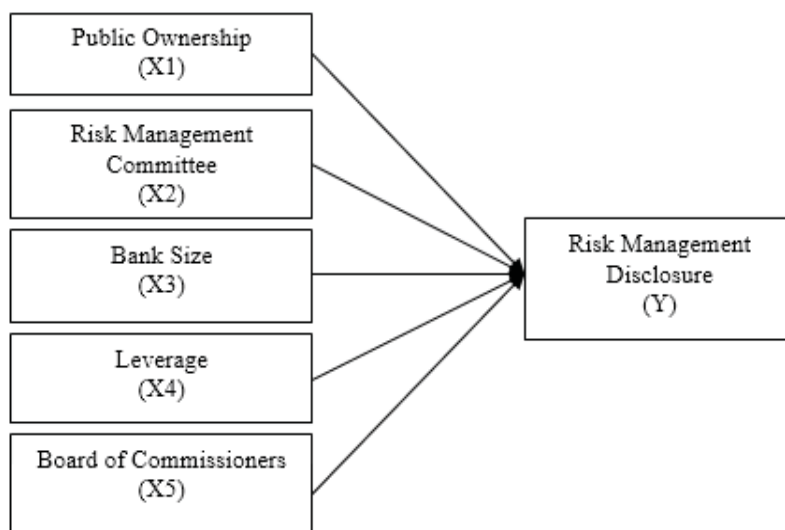
The framework underlying this research can be described in Figure 1.

## **RESEARCH METHOD**

The research method used in this study is a quantitative method, and the data are secondary data, in the form of annual reports of banking sector companies listed on the Indonesia Stock Exchange 2011-2015 that have been published. When viewed from the research objectives, this research is included a clausal study.

### **Research Limitations**

This research is limited to banking sector companies listed on the Indonesia Stock Exchange in the period 2011-2015.



**Figure 1**  
**Framework**

**Identifikasi Variabel**

This research variables used in this study are independent variables, consisting of public ownership, risk management committee, bank size, leverage, and board of commissioners, and dependent variable, that is, risk management disclosure.

**Operational Definition of Variables**

**Risk Management Disclosure**

Risk management disclosure is a method used by companies to provide information about risks faced through financial reporting media to stakeholders. The measurement of this dependent variable is done by giving a value of 1 (one if the company carries out risk management disclosures and a value of 0 (zero) if it does not carry out risk management disclosures. Based on the category shown, ERM can be formulated by the formula:

$$\% \text{ Risk Disclosure} = (\text{Total Company Risk Disclosure} / \text{Total Risk Type}) \times 100\%$$

**Public Ownership (PO)**

Public ownership is the stocks ownership by general public (not a significant institution). Public ownership can be calculated by the formula:

$$PO = \frac{\sum \text{stocks owned by the public}}{\sum \text{outstanding stocks}}$$

**Risk Management Committee (RMC)**

In this study, the existence of RMC is measured using a dummy variable, where companies that disclose the existence of RMC

that is independent or separate from an audit committee are given a value of 1 (one), and a value of 0 (zero) if the company discloses the existence of an RMC joined by an audit or other committee under the audit committee in its annual report

**Bank Size (SIZE)**

The firm (bank) size can be expressed in total assets, sales, and market capitalization (Sudarmadji, 2007 in Edo and Luciana, 2013). Firm size can be calculated by the formula:

$$\text{Firm size} = \text{Ln total aset}$$

**Leverage (LEV)**

The measurement of the level of risk of the company is done using a debt to equity ratio. The following formula is used in measuring the debt to equity ratio (Yogi and Anis, 2014):

$$\text{Debt To Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Total Equity}}$$

**The Board of Commissioners (BC)**

The board of commissioners has the duty to provide oversight of the directors' policies in running the company and to give advice to the directors. The size of the board of commissioners in this research is measured by summing the total members of the board of commissioners in the company (Meizaroh and Lucyanda, 2011).

**RESEARCH RESULTS AND DISCUSSION**

**Descriptive Test**

Descriptive statistical analysis is used

to describe data that is seen from the mean, maximum, and minimum values (Ghozali, 2011: 19).

**Normality Test**

**Table 1**  
**Initial Normality Test**

	Unstandardized Residual
N	166
Kolmogorov-Smirnov Z	1.582
Asymp. Sig. (2-tailed)	0.013

Source: Data Processed

**Tabel 2**  
**Final Normality Test**

	Unstandardized Residual
N	161
Kolmogorov-Smirnov Z	1.361
Asymp. Sig. (2-tailed)	0.094

Source: Data Processed

In table 1, the results of normality test before the outlier show that the value of Asymp. Sig. (2-tailed) is 0.013. The value is smaller than 0.005, or  $0.013 < 0.05$ . This means that  $H_0$  is rejected because the data is not normally distributed, but after an outlier is done, in table 2, the value of Asymp. Sig. (2-tailed) is 0.094, which means that this value is greater than 0.05.

**Simultaneous Significance Test**

**Table 3**  
**F-Test**

Model	F	Sig.
1	9.504	0.000

Source: Data Processed

Based on the F test in table 3, it can be seen that F count is 9.504 and the significance probability value is 0,000. Because the significance probability value is less than 5% or 0.05 ( $0.000 < 0.05$ ), the value of the model is said to be fit or good.

**Determination Coefficient Test**

**Table 4**  
**R<sup>2</sup> Analysis Test**

Model	R	R Square	Adjusted R Square
1	0.484	0.235	0.210

Source: Data Processed

Based on table 4, the value of R or correlation coefficient for the strength of the

relationship of variables used is 0.484 or 48.4%, while the value of Adjusted R Square which is used to see the ability of independent variables to explain the dependent variable indicates that the management risk disclosure in banking sector can be explained by a value of 0.21 or 21%, which means that public ownership, risk management committee, bank size, leverage, and board of commissioners affect risk management disclosure by 21% while the remaining 79% is explained by other variables.

**Tabel 5**  
**t Test**

Model	B	T	Sig.
Constants	0.715	39.201	0.000
PO	-0.014	-0.993	0.322
RMC	-0.018	-3.524	0.001
SIZE	0.001	1.536	0.126
LEV	0.002	2.050	0.042
BC	0.007	5.055	0.000

Source: Data processed

**Hypothesis Test with t-test**

The first hypothesis was carried out for testing the effect of public ownership on risk management disclosures. Based on table 5, the t value for the variable of public ownership is -0.993. The significance level is 0.322 greater than 0.05 or  $0.322 > 0.05$ . This means that public ownership has no effect on risk management disclosure, so  $H_0$  is accepted.

The second hypothesis was carried out for testing the effect of risk management committee on risk management disclosures. Based on table 5, the t value for the variable of risk management committee is -3,524. The significance level is 0.001 smaller than 0.01 or  $0.001 < 0.05$ . This means that risk management committee has a significant effect on risk management disclosures, so  $H_0$  is rejected.

The third hypothesis was carried out for testing the effect of bank size on risk management disclosures. Based on table 5, the t value for the variable of bank size is 1.536. The significance level is 0.126 greater than 0.05 or  $0.126 > 0.05$ . This means that bank size has no effect on risk management disclosures, so  $H_0$  is accepted.

The fourth hypothesis was carried out for testing the effect of leverage on risk management disclosures. Based on table 5, the t value for the variable of leverage is 2.050. The significance level is 0.042 smaller than 0.05 or  $0.042 < 0.05$ . This means that leverage

has a significant effect on risk management disclosure, so  $H_0$  is rejected.

The fifth hypothesis was carried out for testing the effect of board of commissioners on risk management disclosures. Based on table 5, the t value for the variable of board of commissioners is 5.055. The significance level is 0.000 smaller than 0.05 or  $0.000 < 0.05$ . This means that the board of commissioners has a significant effect on risk management disclosures, so  $H_0$  is rejected.

**DISCUSSION**

**The effect of Public Ownership on Risk Management Disclosure**

Public ownership can lead to broader management. Therefore, it can be said that the greater the level of stocks owned by the public, the more information disclosed by the company to meet the needs of stockholders.

**Table 6**  
**Comparison of Public Ownership based on Risk Management Disclosures**

Average ERM (0.768)	Number	Average Public Ownership
Below average (<0.768)	55	0.27
Above average (>0.768)	106	0.19

Source: Processed

**Table 7**  
**Comparison of Risk Management Disclosure based on Public Ownership**

Average PO (0.218)	Number	Average ERM
Below average (<0.218)	86	0.7725
Above average (>0.218)	75	0.7718

Source: Processed

Table 6 shows that the average public ownership that has a risk management disclosure value below the average (< 0.768) is 0.27, while in companies that have public ownership value above the average (> 0.768) is 0.19. In table 7, the average risk management disclosure that has public ownership value below the average (<0.218) is 0.7725, while in companies that have public ownership value above the average (> 0.218) is 0.7718. The results of the descriptive statistics in table 7 show that there is no significant difference in the average risk management disclosure between

companies that have public ownership below the average and companies that have public ownership value above the average. These results indicate that public ownership has no effect on risk management disclosures.

The research hypothesis is not supported because the risk management disclosure contains costs, and management only discloses information if the benefits obtained from the disclosure do not exceed the cost of disclosing the information. The greater the number of parties that need this information, the greater the money required because companies that carry out risk management disclosures will incur the costs.

The results of this study support the research conducted by Abraham and Cox (2007) that public ownership has no effect on risk management disclosures. However, this result is contrary to the research conducted by Sulistyaningsih and Barbara (2016) where public ownership has an effect on risk management disclosures.

**The Effect of Risk Management Committee (RMC) on Risk Management (ERM) Disclosure**

The Risk Management Committee is a committee which is formed to carry out supervisory and monitoring functions and establish a strategy policy to assist the board of commissioners in reviewing the risk management system prepared by the directors and assess the risk tolerance of a company. The second hypothesis states that risk management committee has negative effect, which means that the value of risk management disclosures decreases.

**Table 8**  
**Comparison of Risk Management Committee based on Risk Management Disclosure**

Average ERM (0.768)	Number	Average RMC
Below average (<0.768)	55	0.75
Above average (>0.768)	106	1.61

Source: Processed

Table 8 shows that the average risk management committee that has a risk management disclosure value below the average (<0.768) is 0.75, while in companies that have a risk management committee value above average (> 0.768) is 1.61. These results



indicate that the risk management committee influences risk management disclosures. This is indicated by the high difference in public ownership for observations that have an average value of risk management disclosure.

In this study, the risk management committee that has an influence on risk management disclosure is an independent committee that is separated from audit. Companies that have RMC are better at supervising management so they are able to encourage an increase in ERM. The reasons that can be explained in this study are:

First, the existence of a Risk Management Committee can improve the assessment and supervision of risks faced by the company and be able to provide encouragement to carry out risk disclosures. Revealing more information is part of the company's efforts to realize public accountability. Therefore, the influence of the existence of RMC is in accordance with the theory that the existence of RMC can increase ERM disclosure.

Second, companies that have RMC that is separate from other committees can certainly devote more time, energy, and ability to evaluate all internal controls and handle risks that might occur. The companies also have a more structured monitoring and risk assessment performance so that they can carry out in-depth reviews of company risks.

Third, most RMC members have an educational background in accounting and finance, and some have educational backgrounds in accordance with the company's business activities. This combination is an important resource for RMC to assist commissioners in carrying out the oversight function of risk management and assisting commissioners in understanding the company's risk profile. The banking sector has been required to form a Risk Management Committee separate from the audit committee as contained in the Bank Indonesia Regulation No.8 / 4 / PBI / 2006.

The results of this study support the research conducted by Bestari (2010) that risk management committee has an effect on risk management disclosure. However, this study is contrary to the research conducted by Nur (2016) which states that risk management committee has no effect on risk management disclosures.

### The Effect of Bank Size on Risk Management (ERM) Disclosure

The bigger the company, the more details the information will be presented. Large companies are required to do this because they are considered capable of showing more detailed information.

**Tabel 9**  
**Comparison of Bank Size based on Risk Management Disclosure**

Average ERM (0,768)	Number	Average SIZE
Below average (<0,768)	55	19.14
Above average (>0,768)	106	19.16

Source: Processed

**Table 10**  
**Comparison of Risk Management Disclosure based on Bank Size**

Average Size (19,42)	Number	Average ERM
Below average (<19,42)	105	0.7681
Above average (19,42)	56	0.7691

Source: Processed

Table 9 shows that the average bank size that has the risk management disclosure value below the average (<0.768) is 19.14, while in companies that have a bank size value above the average (> 0.768) is 19.16. In table 10, the average risk management disclosure that has a company size value below the average (<19.42) is 0.7681, while in companies that have a company size value above the average (> 19.42) is 0.7691. These results indicate that company size has no effect on risk management disclosures. This is indicated by the low difference in the average size of the company from the average risk management disclosure.

In providing company information to outsiders, companies consider how much it will cost and how much benefits they will get from the costs they have incurred. Companies that have large assets are very likely to have more business activities and have more resources. So, large companies will use their resources to present risk management disclosures. Companies with small assets are also possible to require risk management information for stakeholders, given that the benefits provided by risk management are greater than the costs incurred.

The results of this study are consistent with the research conducted by Sulistiyansih and Barbara (2012) that firm size has no effect on risk management disclosure. However, this study is contrary to the research conducted by Iin (2016) which proves that firm size has an effect on risk management disclosure.

**The Effect of Leverage on Risk Management (ERM) Disclosure**

Leverage is a ratio to measure how far a company uses debt. Based on the stakeholder theory, companies are expected to be able to provide risk disclosures in order to provide justification and explanation for what happened at the companies. When companies have a higher level of debt risk in the capital structure, creditors can force the companies to disclose further information (Ahn and Lee, 2004 in Amran et al, 2009). The fourth hypothesis states that leverage has an effect on risk management disclosures.

**Table 11**  
**Comparison of Leverage based on Risk Management Disclosure**

Average ERM (0,768)	Number	Average LEVERAGE
Below average (<0.768)	55	7.79
Above average (>0.768)	106	8.99

Source: Processed

**Table 12**  
**Comparison of Risk Management Disclosure based on Leverage**

Average Leverage (7.92)	Number	Average ERM
Below average (<7.92)	86	0.7651
Above average (>7.92)	75	0.7726

Source: Processed

Table 11 shows that the average leverage that has risk management disclosure value below the average (<0.768) is 7.79, while in companies that have leverage value above average (> 0.768) is 8.99. In table 12, the average risk management disclosure that has leverage value below average (<7.92) is 0.7651, while in companies that have leverage value above average (> 07.92) is 0.7726. These results indicate that leverage has an effect on risk management disclosures. This is indicated by the high difference in average leverage from

the average risk management disclosure.

The result of this study shows that leverage affects risk management disclosure. The result is consistent with stakeholder theory that companies are expected to disclose more risk with the aim of providing an assessment and explanation of what is happening in the companies (Iin, 2016). The greater the level of leverage the company has, the greater the demand for disclosure will be made by outside parties and creditors to find out how good or bad the condition and ability of the companies to pay off their debt. This study is consistent with the research conducted by Zeghaldan El Aoun (2016). However, this study is contrary to the research conducted by Iin (2016) where the level of leverage has no effect on risk management disclosures.

**The Effect of Board of Commissioners (BC) on Risk Management (ERM) Disclosure**

The Board of Commissioners is a corporate organization that supervises and provides advice to directors to ensure that the company is managed in accordance with the aims and objectives of the company (Sulistyaningsih and Barbara, 2016). The board of commissioners, as a company organ, has the duty and responsibility collectively to supervise and provide advice to the directors and ensure that the company implements GCG. The fifth hypothesis states that the board of commissioners has an effect on risk management disclosures.

**Table 13**  
**Comparison of the Board of Commissioners based on Risk Management Disclosure**

Average ERM (0.768)	Number	Average BC
Below average (<0.768)	55	4.48
Above average (>0,768)	106	5.1

Source: Processed

**Table 14**  
**Comparison of Risk Management Disclosure based on the Board of Commissioners**

Average BC (4.89)	Number	Average ERM
Below average (<4.89)	47	0.7645
Above average (>4.89)	65	0.7828

Source: Processed

Table 13 shows that the average board of commissioners who have the value of risk management disclosure below the average ( $<0.768$ ) is 4.48, while in companies that have a board of commissioners value above the average ( $> 0.768$ ) is 5.1. In table 14, the average risk management disclosure that has a board of commissioner value below the average ( $<4.89$ ) is 0.7645, while in companies that have a board of commissioners value above the average ( $> 4.89$ ) is 0.7828. These results indicate that the board of commissioners has an effect on risk management disclosures. This is indicated by the high difference in the average board of commissioners from the average risk management disclosure.

The greater the proportion of members of the board of commissioners, the greater the capacity of monitoring and information provision is so that it can improve the quality of risk management disclosures. This is because the large number of board members allows the company not to be dominated by management in carrying out its role more effectively. For banks that have been listed on stock exchange, the risk disclosure is an obligation in accordance with regulations that must be met.

The results of this study are consistent with the research conducted by Sulistiyangsih and Barbara (2016) where the board of commissioners has an effect on risk management disclosure. However, this study is contrary to the research conducted by Annisa and Siti (2017) that the board of commissioners has no effect on risk management disclosures.

#### CONCLUSION, LIMITATION, AND SUGGESTION

The purpose of this study is to find out the effect of public ownership, risk management committee, bank size, leverage, and board of commissioners on risk management disclosures in banking sector companies listed on Indonesia Stock Exchange (IDX) 2011-2015. It used secondary data in the form of annual reports. This study used a multiple regression analysis to prove the hypothesis. Based on the results of testing, the conclusions obtained are as follows: the results of the F test indicate that the independent variables used in the study can be said fit because the significance value of F is less than 0.05 or equal to 0,000.

Adjusted R square shows that variations in risk management disclosures can be explained (21%) by the variables of public ownership, risk management committee, bank size, leverage,

and board of commissioners, while 79% are explained by other factors outside the regression model. The results of the t test show that the variables of risk management committee, leverage, and board of commissioners have an effect on risk management disclosures, because the significance value for the risk management committee is 0.001 ( $0.001 < 0.05$ ), the significance value for leverage is 0.042 ( $0.042 < 0.05$ ), the significance value for the board of commissioners is 0,000 ( $0,000 < 0,05$ ). However, the variable of public ownership, which has the significance value of 0.322 ( $0.322 > 0.05$ ), and the variable of firm size, which has significance value of 0.126 ( $0.126 > 0.05$ ), have no effect on risk management disclosures.

The limitations of this study include: there are extreme values in the data tabulated by the researchers, so it is necessary to discard outlier data to obtain normally distributed data and there are incomplete company data particularly in publishing the annual reports.

For further research, it is suggested that the researchers use other variables that might influence risk management disclosure, add the research period, and use sectors other than banking for the research sample.

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