SUCCESS MODEL FOR RISK MANAGEMENT DISCLOSURE

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Abstract— Every company must find risks in carrying out its activities, in terms of financial risk or operational risk. In a uncertain economic situation, risk management is one way to reduce and handle anything risk that the company might face. This study aims to analyze managerial influences ownership, ownership of domestic institutions, ownership of foreign institutions, public company ownership and size in risk management disclosures. The population used here is secondary data from Indonesia stock exchange (IDX), which is an annual report manufacturing companies registered in the period 2014-2018. Sample study using purposive sampling and final data consisting of 189 companies. Statistics method used is multiple regression analysis (MRA), hypothesis testing with the t test and the F test. The results of this study indicate that (1) managerial ownership has no effect on risk management disclosure (2) ownership of domestic institutions affects disclosure risk management (3) ownership of foreign institutions influences risk management disclosure (4) public ownership affects risk management disclosure (5) no affect the size of the company's risk management disclosure.

Index Terms—managerial ownership, manufacturing company, multiple regression analysis, ownership of domestic institution, ownership of foreign institutions, public ownership, risk management disclosure.

1 INTRODUCTION

The increasingly fierce business competition, pushing every company to more transparent in disclosing the information more parties have the interests of the company cause more and more information to be needed was disclosed. Information disclosed must be understood, trusted, relevant, transparent, because the information is the basis for user decisions. This information is specifically for investors. This is due to investments activities is an activity that contains and uncertainties. Because risks are attached to this, the information presented by the company is expected to reduce level of risk and uncertainty faced by investors. Accordingly, then adequate disclosure is required [1] Disclosure implies that openness is the basis of public trust in management in the corporate system. In other words, the quality of corporate governance mechanisms should be seen from the level of openness or transparency [1]. Many researchers have revealed that one of the factors that worsened the condition of Indonesia during the 1997 crisis was weak corporate governance. This is indicated by the lack of transparency in the management of company. Risk management starts from the awareness that management is aware of risk it must be in a company. The application of good risk management must ensuring that the organization is able to provide the right treatment risks that will affect it [2]. Information regarding risk management is very useful for stakeholders, especially for stakeholders investor. This information is useful for investors to conduct risk analysis expected returns can be fulfilled. Risk management has a role very important in shaping good corporate governance. The oversight mechanism of corporate governance consists of structure ownership which includes management ownership, ownership of domestic institutions, foreign institutional ownership, public ownership [3] and size, where this mechanism can control the company more optimally, so that it can reduce the conflict of interest caused by the problem agency between the owner and manager. Management the ownership is the proportion of ordinary shares owned by management. Manager's position with shareholders can be aligned with increasing share ownership by management. Erlina [4], revealed that the ownership of domestic institutions is ownership of shares companies that are majority owned by institutions. (insurance companies, banks, investment companies, asset management and ownership of other institutions). Foreign ownership are foreign citizens, foreign business entities, and foreign governments investing in the territory of the Republic of Indonesia [1]. Public ownership is the proportion of share ownership at the end of the year owned by general public (not a significant institution), public ownership has important meaning in monitoring management and encouraging more optimal oversight in the company. The size of the company can be interpreted the size of the resource owned by the company, be it capital or human resources it has. The size of the company can be stated in total assets, sales and market capitalization [5]. The greater size of the company, then the more information he will reveal. And more detailed things are will be disclosed because large companies are considered capable of providing information. Many previous studies have revealed ownership structure and size the company has an influence on the disclosure of the company's financial statements such as Erlina [6] which states that the portion of public shares a positive effect to the extent of financial statement disclosure. Puspitasari [7], examined the size relationship companies and share of public share ownership with the level of report disclosure company annual. As well as fathimiyah et. al [1], who examined the influence of structure ownership of risk management disclosure. But in Indonesia itself, research about the disclosure of risk management is still small. Therefore this study aims to determine the effect of size companies, management ownership, ownership of domestic institutions, ownership of institutions foreign and public ownership of risk management disclosures. Based on the description above, ownership structure consisting of management ownership, domestic institutions, foreign institutions, and the public as well as company size that affects the disclosure of risk management is still interesting to be tested further.

2 LITERATURE REVIEW

2.1 Agency Theory

The agency relationship perspective is the basis on which to understand relationship between managers and shareholders. Jensen and Meckling [8] states that an agency relationship is a contract in which one or more (principal) hire another person

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(agent) to do some services for the benefit by delegating some decision-making authority to the agent. Shareholders assess the manager's performance based on his ability in generate corporate profits. Instead, managers try to meet the demands of holders stock to produce maximum profit in order to get compensation or incentives which are desired. However, managers often manipulate when reporting conditions company to shareholders so that the goal of getting compensation is achieved. The company conditions reported by the manager are inappropriate or do not reflect the real state of the company. This is due to differences in information owned by managers and shareholders. As a manager, more managers know the situation in the company rather than the shareholders. Situation this is known as information asymmetry.

2.2 Signal Theory

According to Wolk, et al. [9]) signal theory explained the reason companies present information for the capital market. Signal theory shows it information asymmetry between company management and interested parties with that information. Signal theory suggests how it should be the company gives signals to users of financial statements. Signal Theory explains why companies have the drive to provide financial statement information to external parties. Company drive for provide information because there is information asymmetry between the company and the parties external. The company / manager has more knowledge about conditions companies compared to external parties [10].

2.3 Company Size

The size (size) of the company can be stated in total assets, sales, and market capitalization [5]. The bigger the company, the more information that will be disclosed. And the more detailed things will be disclosed because large companies are considered capable of providing information

2.4 Management ownership

Management ownership is the proportion of shareholders from management who actively participates in corporate decision making [11]. The position of manager with shareholders can be aligned by increasing share ownership by management. Management plays an important role in running the company, because management not only manages the company but also as a shareholder.

2.5 Domestic Institutions ownership

The ownership of domestic institutions is the ownership of shares of companies which majority owned by institutions or institutions (insurance companies, banks, companies investment, asset management and ownership of other institutions) [1]. Institutional ownership is the largest shareholder so it is a means to monitor management [12].

2.6 Foreign Institutions ownership

According to Law No. 25 of 2007 in article 1 number 6 foreign ownership are foreign citizens, foreign business entities, and foreign governments investing in the territory of the Republic of Indonesia [1].

2.7 Public ownership

Public share ownership is the portion of outstanding shares owned by the public [7]. Public ownership is the ownership of the general public (not a significant institution) of shares of public companies. The structure of company ownership can also be called a share ownership structure, which is a comparison between shares owned by insiders or management (insider ownership) with the number of shares owned by outsiders (outsider ownership's) [7].

3 RESEARCH METHOD

This research is a quantitative research. Judging from the data source of this study is secondary data using annual reports from manufacturing industries registered on the Indonesia Stock Exchange in 2014-2018 which has been published. If Judging from the research objectives, this study includes causal research, which is research aims to see the effect of one variable with another variable.

3.1 Operational Definition and Variable Measurement

Company Size

The size (size) of the company can be stated in total assets, sales, and market capitalization [5]. Distribution of large or small sizes companies based on BAPEPAM No. 11 / PM / 1997 which states that medium or small company is a company that has total wealth (total assets) no more than 100 billion rupiah.

Company Size = total assets ....(1)

Management ownership

Management ownership is the percentage of active management ownership in managing the company or the board of directors of the company's shares. Management ownership can be stated by the formula:

$$MO = \frac{\sum \text{shares owned by the board of directors}}{\text{Outstanding shares}} \quad \text{....................(2)}$$

Domestic Institutions ownership

Ownership of shares of companies which are majority owned by institutions or institutions (insurance companies, banks, investment companies, asset management and ownership other institutions) [4]. Ownership of domestic agencies can be stated in the formula:

$$DIO = \frac{\sum \text{shares owned by domestic institutions}}{\text{Outstanding shares}} \quad \text{....................(3)}$$

Foreign Institutions ownership

Foreign ownership is an individual foreign citizen, foreign business entity, and foreign governments that invest in the territory of the Republic of Indonesia [1]. Can be stated with the formula:

$$FIO = \frac{\sum \text{shares owned by foreign institutions}}{\text{Outstanding shares}} \quad \text{.......................(4)}$$

Public ownership

Public share ownership is the portion of outstanding shares owned by the public [7]. Public ownership is the ownership of

the general public (not the institution significant) to shares of public companies. where the formula or formula is:

PO = ∑ shares owned by public .... (5)
Outstanding shares

Risk Management Disclosure
Bapepam Regulation Number: SE-02 / PM / 2002 concerning the Presentation Guidelines and Disclosure of Issuers or Public Companies' Financial Statements: Manufacturing Industry, explains that there are eleven risks facing the manufacturing industry. Formula for calculating Risk Management disclosures stated by Fathimiya et al [1] as following:

DSCORE BY = 1 ∑nSCORE ....(6)
MAX BY i=1 i BY

3.2 Population, Samples and Sampling Techniques
The population used in this study is the Manufacturing Sector which was listed on the Indonesia Stock Exchange from 2014-2018. Sampling in this study is purposive sampling, in other words, the sample is taken carefully so that it is relevant to the purpose of the study provided that the sample can represent the population. The criteria used in determining the sample are: (1) Manufacturing companies that have remained listed on the Indonesia Stock Exchange during 2014-2018. (2) Manufacturing companies that report their annual reports and report risk management in accordance with Bapepam Regulation Number: SE-02 / PM / 2002 during the observation period, namely 2014-2018. (3) Manufacturing companies that issue financial statements expressed in rupiah and ending on December 31 during the observation period in 2014-2018.

3.3 Data and Data collection Methods
The data used in this study are secondary data, namely primary data which has been further processed and presented either by the polymer data collector or by other parties for example in the form of tebel-tables or diagrams [7]. As for data Secondary in this study is the annual report that manufacturing companies have published from 2014 to 2018 obtained from the Stock Exchange's website Indonesia.

3.4 Data Analysis Tehnique
To process data and draw conclusions, the researchers used a program SPSS version 22.00 for windows. The stages carried out in conducting the technique analyzing the data are as follows: (1) Collecting annual report data public companies for 2014 to 2018, (2) Select annual report data public companies that will be examined in accordance with predetermined sample criteria, (3) Input all the data that becomes a variable for each company that is sampled research, and (4) Using statistical test data.

3.5 Data Normality Test
The data normality test (Kolmogorov-Smirnov Test) aims to see whether the data Regression models are normally distributed. Regression model can be stated as already normally distributed if the significant value> 0.05. Then it is expected in the research will significant values obtained> 0.05.

3.6 Multiple Linier Regression Analysis
To test the relationship between the dependent variable and the independent variable, then The researcher uses the following regression equation:

Y=α + β1X1+β2X2+β3X3+β4X4+β5X5+e ………………………(7)

3.7 Coefficient of determination
The coefficient of determination (R2) aims to determine the ability of the variable independent in explaining the variation of the dependent variable. The coefficient of determination is between 0 (zero) and 1 (one).

3.8 Simultaneous test (F test)
Used to test whether the regression model used is correct or whether not yet. Regression model is said to be fit if the calculated F value <0.05. Expected probability of F count <0.05 which means that the regression model can be used to predict risk management disclosures.

3.9 Partial test (t test)
The statistical test t basically shows how far the influence of a variable independent of the dependent variable [13]. Provisions used in the t test are as follows: (1) If significant <0.05, then the independent variable is influential on the dependent variable (2) If the significant value> 0.05, then the independent variable does not
affect the dependent variable.

3 RESULT AND DISCUSSION
4.1 Nomality test

TABLE 1
INITIAL NORMALITY TEST

	Unstandardized Residual
Number of sample	189
Kolmogorov-Smirnov Z	1,741
Asymp.Sig. (2-tailed)	0,004

Based on table 1 above, the value of Kolmogorov - smirnov Z is 1.741 with Asymp. Sig (2-tailed) that is equal to 0.004, this value is smaller than the significance value ie 0,000 <0.05 which means the data are not normally distributed. So as to normalize data, done by converting data values into standardized or ordinary scores called Z-score. After removing the outlier data, the researcher re-tested the above data using the Kolmogorov-smirnov test.

TABLE 2
FINAL NORMALITY TEST

	Unstandardized Residual
Number of sample	143
Kolmogorov-Smirnov Z	1,212
Asymp.Sig. (2-tailed)	0,065

Based on the table above, after testing again with the previous transform data, the value of Kolmogorov - smirnov Z is 1.212 with Asymp. Sig (2-tailed) of 0.065. In other words, the regression model has been distributed normally because the significance value> 0.05.

4.2 Multiple Linier Regression Analysis

TABLE 3

REGRESSION TEST RESULTS
Coefficients[a]

Model	Unstandardized Coefficients	
	B	Std. Error
(Constant)	5,373	1,023
CS	0,125	0,139
MO	32,290	39,486
DIO	-2,181	0,871
FIO	-2,563	0,895
PO	-2,631	1,003

Based on table 3, the multiple linear regression equation model is obtained as the following:
Y = 5,373 – 2,181 DIO – 2,563 FIO – 2,631 PO

The interpretation of the regression model above is:

1. The constant (α) of + 5,373 states that if the independent variable is considered constant, the risk management disclosure will increase by 5.373 percent.
2. The regression coefficient (β1) for CS of + 0.125 states that every change is one unit of total assets assuming the other variables are fixed, then disclosure risk management will decrease by 0,125 percent.
3. The regression coefficient (β2) for MO of + 32.290 states that every change one unit in management share ownership assuming the other variables are fixed, then the disclosure of risk management will increase by 32.290 percent.
4. The regression coefficient (β3) for DIO of - 2,181 states that every change one unit in domestic institutional share ownership assuming the other variables still, the risk management disclosure will decrease by 2,181 percent.
5. The regression coefficient (β4) for FIO of - 2.563 states that each addition a unit of ownership of a foreign institution will reduce management's disclosure risk of 2.563 percent.
6. The regression coefficient (β5) for PO is -2,641 which states that every change is one the unit on public ownership assuming the other variables are fixed, then risk management disclosures will decrease by 2.641 percent.
7. Error

4.3 Coefficient of determination

TABLE 4
COEFFICIENT OF DETERMINATION
Model summary[b]

Model	Adjusted R Square
1	0,047

Based on table 4, the adjusted value is R2 is 0.047 which means only 4.7 percent dependent variable risk management disclosure can be explained by the fourth The independent variables are CS, MO, DIO, FIO, and PO. While the remaining 95.3 percent explained by other variables outside the model.

4.4 Simultaneous test (F test)

TABLE 5
TEST RESULTS F
ANOVA[b]

Model		F	Sig.
1	Regression Residual Total	2,352	0,049[a]

Based on the SPSS output in table 5 above, it is known that the F count is 2.352 with a significant level of 0.049 <0.05. This means that the regression model can be used for predict firm value or fit regression models with data.

4.5 Partial test (t test)

TABLE 6
REGRESSION TEST RESULTS
Coefficients[a]

Model	t	Sig.
(Constant)	5,135	0,000
CS	0,988	0,325
MO	0,783	0,429
DIO	-2,464	0,017
FIO	-2,916	0,004
PO	-2,637	0,009

Based on the results of data analysis using regression, it can be seen in Table 6 that the partial significance of the independent variable is known as follows: First, there is no influence between company size on risk management disclosure. Testing this hypothesis is shown by the calculated t value of the SPSS output of 0.988, with a significance value of 0.325> 0.05. This means that H0 is accepted, which means that company size has no effect on firm value. Thus the hypothesis that there is an influence between company size and risk management disclosure is unacceptable. Second, there is no influence between management ownership risk management disclosures. Testing this hypothesis is indicated by the t value from the SPSS output of 0.783, with a significance value of 0.429> 0.05. This matter means H0 is accepted, which means that management ownership has no effect on the value of the company. Thus the hypothesis that there is an intermediate influence management ownership of risk management disclosures is unacceptable.
Third, there is an influence between ownership of domestic institutions risk management disclosures. Testing this hypothesis is indicated by the t value from the SPSS output of -2,464, with a significance value of 0.017 <0.05. This matter means H0 is rejected, which means that ownership of domestic institutions has an effect on risk management disclosures. Thus the hypothesis that says there is the influence of ownership of domestic institutions on risk management disclosures acceptable.
Fourth, there is an influence between foreign institutional ownership on risk management disclosures. Testing this hypothesis is shown by the t value of the SPSS output of -2.916, with a significance value of 0.004 <0.05. This means that H0 is rejected, which means that ownership of foreign institutions influences the disclosure of risk management. Thus the hypothesis that there is an influence between ownership of foreign institutions on disclosure of risk management can be accepted.

Fifth, there is an influence between public ownership on disclosure risk management. Testing this hypothesis is shown by the calculated t value of the output results SPSS of -2,637, with a significance value of 0.009 <0.05. This means H0 rejected which means that public ownership has an effect on disclosure risk management. Thus the hypothesis that there is an intermediate influence public ownership of risk management disclosures is acceptable.

4.6 Effect of company size on risk management disclosures

The bigger the company, the more detailed information will be presented. Large companies are required to do this because of them considered able to show more detailed information.

The first hypothesis states that firm size has no effect on risk management disclosures. In providing company information to parties outside, management will take into account how much it will cost and how much great benefits will they get from the costs they have incurred. This result is contrary to research conducted by Puspitasari [7] which states that company size has a relationship with the level of annual report disclosure. This difference in results can occur because not many companies have complied with Bapepam Regulation Number: SE-02 / PM / 2002. Very few companies consider risk management disclosure to be important, this can be seen from the number of companies that report their annual reports by including information about risk management which only consists of 189 companies.

4.7 The effect of management ownership on risk management disclosures

Management is responsible for all business activities that have been carried out by making annual report disclosures. The greater the proportion of ownership managerial in the company, then management tends to be more active for the sake of shareholders where the shareholder is himself, in more detail in risk management disclosures. The second hypothesis states that management ownership has no effect to the value of the company. The higher management ownership of a company causing even greater responsibility for management in making decisions and the risk becomes even higher [1]. Management that has dual role, namely as the executor of the company and the shareholders do not give impact on risk management disclosures. Management acts as executor the company already knows the risks faced by the company even though it is not disclosed in its annual report. Management will also take into account the costs will be excluded from the disclosure, because they already know the informationit is therefore deemed necessary to be disclosed again in an annual report. These results support previous research conducted by Fathimiyah et al [1], states that management ownership has no effect on risk disclosure management.The fourth hypothesis states that ownership of foreign institutions is influential on risk management disclosures. Ownership of foreign institutions makes parties management is more improving the quality of its performance because foreign parties have standardshigh so the higher the foreign ownership the company has, they will shows how the ways that have been taken to deal with the risks that faced by the company. In addition there are high standards expected from foreign parties These blind companies are managed better to reduce the possibility of risk will be faced by the company, so that risk management that needs to be disclosed will less and less. The higher ownership of foreign institutions can also be said to increase foreign debt resulting from the flow of foreign capital into the company, this increases disclosure of risk management required by the foreign shareholders.

4.8 The effect of ownership of domestic institutions on risk management disclosures

The ownership of domestic institutions is the ownership of shares of companies which majority owned by institutions or institutions (insurance companies, banks, companies investment, asset management and ownership of other institutions). Institutional ownership is the largest shareholder so it is a means to monitor management. The third hypothesis states that ownership of domestic institutions is influential on risk management disclosures. The greater the ownership of domestic institutions, the supervision received by the company is getting bigger too. That makes companies will increasingly not be able to do whatever they want or commit fraud. Increased ownership of domestic institutions has led to oversight of Management performance is increasingly optimal because it can control management behavior. That way the company can also be run more efficiently and effectively. This can be reduce the risk faced by the company. The less risk faced the company the less risk management disclosures are needed. The results of this study differ from research conducted by Hapsoro [3], which states that the ownership of domestic institutions does not affect the level of transparency. This result is also different from the results of research by Fathimiyah et al [1] which states that the ownership of domestic institutions does not affect the risk management disclosure. Differences in the industrial sector that are the choice of current and past research may cause these differences. The tighter control of domestic institutions can also cause management to report risk management in accordance with applicable regulations because it is one of the information needed by shareholders, and domestic institutions are no exception.

4.9 The effect of ownership of foreign institutions on risk management disclosures

According to Law No. 25 of 2007 in article 1 number 6 foreign ownership are foreign citizens, foreign business entities, and foreign governments investing in the territory of the Republic of Indonesia. The fourth hypothesis states that ownership of foreign institutions is influential on risk management disclosures. Ownership of foreign institutions makes parties management is more improving the quality of its performance because foreign parties have standards high so the higher the foreign ownership the company has, they will shows how the ways that have been taken to deal with the risks that faced by the company. In addition there are high standards expected from foreign parties These blind companies are managed better to reduce the possibility of risk will be faced by the company, so that risk management that needs to be disclosed will less and less. The higher ownership of foreign institutions can also be said to increase foreign debt resulting from the flow of foreign capital into the company, this increases disclosure of risk management required by the foreign shareholders. These results are not the same as the results of research Hapsoro [3] which states ownership of

foreign institutions does not affect the level of transparency. This result too Contrary to what was done by Fathimiyah et al [1] which states that foreign institution ownership does not affect risk management disclosure.

4.10 The effect of public ownership on risk management disclosures.

Ownership of the company by outsiders has great strength in influence the company through the mass media in the form of criticism or comments all are considered as the voice of the people. The fifth hypothesis states that public ownership influences risk management disclosures. Public ownership has a very important meaning for the company. The more parties who need information about the company, On the other hand, management must be selective in disclosing information because Disclosure of information contains costs. Management will only reveal information if the information provides benefits that are greater than the costs issued. To keep providing information needed by shareholders and also minimize costs incurred to disclose information, the company can travel the road more efficiently and effectively in running the company. Thus the risk faced by the company is reduced automatically also reduce risk management that needs to be disclosed. This result is the same as research conducted by Hapsoro [3] which states that public ownership affects transparency. Likewise, research conducted by Kartika [13] which stated that public share ownership affects the disclosure index. But this result is contrary to what is done by Fathimiyah et al [1] which states that public ownership has no effect on risk management disclosure. This result is also different from the results of research from Pusitasari [7] which states that public ownership has no effect on the level of annual report disclosure. But Puspitasari [7] states that public ownership has a positive positive effect simultaneously simultaneously on the level of annual report disclosure.

4 CONCLUSION

companies towards risk management disclosures in sector companies manufacturers from 2014 to 2018 were listed on the Indonesia Stock Exchange (IDX). The data used in this study are secondary data obtained from yang sourced from Indonesia Exchange (IDX). Total listed companies during the period the research is 147 companies multiplied by 5 years of observation to 735 observational data, but after conducting purposive sampling data to get a sample needed for testing, obtained 189 company observation data. Company observational sample data as many as 189 observations before the data in the outlier. But after doing the data outlier then the number of observation samples was reduced to 143 company observation data during the year 2014 – 2018. This research uses multiple regression analysis test to prove the hypothesis. Based on the test results, the conclusions that can be obtained are as following: The results of the study indicate the variable ownership of domestic institutions, ownership foreign institutions and public ownership are affected by management disclosures risk. This can be caused by the greater control given by the parties externally causes management to be more efficient and effective in running company so as to minimize the risks faced so that only a few management risk disclosed. Whereas company size and management ownership are not influential, because the management has a dual role as manager companies and shareholders, know what risks the company faces even without disclosed in the annual report. The level of compliance of manufacturing companies in disclosing risk management reached 51.46%. Although the disclosure of the points is still small, this can be seen from the highest number of risk management disclosures is only six out of eleven the items that have been regulated in Bapepam Regulation Number: SE-02 / PM / 2002 regarding the guidelines presentation and disclosure of financial statements of listed companies or public companies: industry manufacture.

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