The Analysis Of Factors Influencing Risk Management Disclosure

Hariadi, Rusli, Desmiyawati

Abstract: This research aimed at investigating the influence of a good company management mechanism (management ownership, independent commissioners, commissioner board size and auditor reputation), leverage, and size of the company for risk management disclosure. The data obtained from real estate companies listed in Indonesia Stock Exchange during 2013-2015. Based on purposive sampling, there were 10 companies in the data sample so that during 3 years observation there were 30 annual report which were analyzed. The data was analyzed by multiple regression analysis technique. This research showed that the management ownership, commissioner board size, leverage and the company size had a significant effect on risk management disclosure. However, independent commissioners and auditor reputation had no significant effect on risk management disclosure.

Index Terms: Risk Management Disclosure; Management Ownership; Independent Commissioners; Commissioner Board Size; Auditor Reputation; Leverage and Size of Company

1 INTRODUCTION
Risk management is a system of risk monitoring and protection of property, ownership rights and profits of business entities or individuals for the possibility of losses due to a risk. Risk management is a way to reduce and overcome every company risk that may arise. Risk management is considered very important when the management is aware of the presence of risks in a company. According to William, et.al., (1995), risk management is also an application of general management which tries to identify, measure, and deal with causes and consequences of uncertainty in an organization. The application of good risk management must ensure that the organization is able to provide appropriate treatment towards the risks that will affect it (Setyarini, 2011). Risk is also closely related to success and failure, an effective risk management system is a company strength that helps to achieve the company's business objectives and increases the quality of financial disclosure and financial statement as an effort to protect the company's reputation (Setyarini, 2011). According to the Executive Director of Institute for Development of Economic and Finance (INDEF) Enny Sri Hartati, one of the factors that slowdown the economy of Indonesia is the sluggish global economy in the recent years which slowdown the economic growth in many countries. A way to improve economic growth in Indonesia is through capital market. The economic activity increases with the existence of capital market since it becomes a funding alternative for companies to increase the company income, which finally will give prosperity for a wider community (Syifa', 2013). Istna (2011) stated that company risk disclosure is the basis of accounting and investment practices. Thus, there are several regulations regarding risk disclosure in the company. Regulations regarding risk disclosure in Indonesia are stated in the 2010 Revised version of PSAK 50, which contains Financial Instruments: Presentation, and Bapepam-LK regulations in 2009 concerning the application of risk management with the aim of anticipating and handling risks effectively and efficiently (Marisa, 2014). This regulation is made to make companies able to report the financial statements which contains not only about financial information, but also risk disclosure of the company. According to Probhudono et.al. (2013), Indonesia is a developing country that clearly has high risk factors, but statistically compared to Malaysia, Singapore and Australia, Indonesia is the lowest in the level of risk disclosure. Therefore, it is necessary to increase risk management disclosure in Indonesian companies. There are several factors that influence risk management disclosure.

The first factor is management ownership. Management is responsible for the continuity of the company and as a shareholder. The second factor is the independent commissioner. Board of commissioners plays an important role in a company, especially in the implementation of good corporate governance in the company. The third factor is the size of the commissioner board. The Board of Commissioners is a company organization which supervises and provides advice to directors to ensure that the company is managed in accordance with the aims and objectives of the company. The fourth factor is the auditor reputation. The auditor reputation is the view towards reputation, achievements and public trust which the auditor has and KAP where the auditor works. The fifth factor is leverage. Leverage is an important factor in the element of funding. The sixth factor is the size of the company. The bigger the industry, the more investors will invest in the company (Syifa', 2013). Based on the background has been mentioned, it could be concluded that the problems were as follows: did the managerial ownership influence risk management disclosure, did the independent commissioner influence risk management disclosure, did the board of commissioner influence risk management disclosure, did the auditor reputation affect risk management disclosure, did leverage affect risk management disclosure, and did the company’s size affect risk management disclosure. In accordance with the problems stated in the formulation of the problem above, the purpose of this research was to find out the effect of managerial ownership toward risk management disclosure, to understand the effect of independent commissioners on risk management disclosure, to understand the effect of board size on risk management disclosure, to find out influence of auditor reputation on risk management disclosure, to know the effect of leverage on risk management disclosure, and to determine the effect of company size on risk management disclosure.

2 REVIEW OF LITERATURE
Agency Theory
Agency theory is a basic theory for company practices which has applied so far. This theory stated that there is a work relationship between the party which gives order (principal) and the party which accepts order (agent) in a cooperation contract.
Signaling Theory
Signaling theory discusses about the encouragement of the company to give information to external party. This theory emerged because of the problem of asymmetrical information between management and external party. Therefore, in order to reduce possible asymmetrical information in the future, the company must expose their information, both financial and non-financial information.

Risk Management
Risk can be reduced and even eliminated through risk management. Risk management aims to manage risk so that the organization can survive. High awareness of risk management is mostly caused by several disasters faced by companies and unexpected business failures (Walker, et al. in Yatim, 2009). Therefore, each company needs an Enterprise Risk Management (ERM) to reduce and deal with any company risks that may arise. In 2004, COSO published the Enterprise Risk Management-Integrated Framework which described important components, principles and concepts of corporate risk management for the entire organization, regardless of its size. The essence of corporate risk management is that each entity has value for stakeholders. Every entity always faces uncertainty, and the challenge comes from how to manage and identify, how likely the uncertainties that might be received to increase stakeholder value. Company risk management makes uncertainty management becomes more effective related to risks and opportunities with the aim of increasing the value. Therefore, the proper risk management structure can help in managing business risk more effectively and disclose risk management results to stakeholders of the organization (Subramaniam et al., 2009).

Good Corporate Governance
Corporate governance has become an important subject for business people throughout the world. The prolonged economic crisis and the demands of global competition are two of the factors which drive the reform of GCG (Alijoyo and Zaini, 2004). At present, there are large demands and there is a tendency that the Management of Public Companies must be responsible for managing the company to the public.

According to Forum for Corporate Governance in Indonesia (FCGI), the main duties of commissioner board are:
1. Assessing and directing the company’s strategy, outline work plans, risk control policies, annual budgets and business plans; setting work goals; overseeing the implementation and performance of the company; and monitoring the use of corporate capital, investment and sale of assets.
2. Assessing the system to determine the salary of officials in key positions and payroll of the director board, and giving guarantee for a transparent and fair process of nomination for members of the director board.
3. Monitoring and resolving problems of conflict of interest at the management level, board members and board members, including misuse of company assets and manipulation of company transactions.
4. Monitoring the implementation of governance, and make changes if necessary.
5. Monitoring the process of openness and effectiveness of communication within the company.

In carrying out its extensive duties, the Board of Commissioners can form various committees that help the function of the Board of Commissioners to run more effectively. According to Harrison (quoted by Subramaniam, et al., 2009) there are two types of board committees. The first type is a committee that plays an important role in providing input to management and the board of commissioners on important business decision making for the company, for example the strategic planning committee. The second type relates to the monitoring or oversight function of the board, such as the audit committee, remuneration committee, and nomination committee. These committees can specifically increase the accountability of the board as they provide independent oversight of various board activities.

Effect of Managerial Ownership on Risk Management
Management ownership is a managerial party in a company that actively plays a role in making decisions to run a company. These parties are those who are on the board of commissioners and the board of directors of the company. Management plays an important role in running the business continuity of a company, where management does not only act as the manager of the company but also acts as a shareholder. Management will be responsible for all business activities that have been carried out by making disclosure in the company's financial statements. The higher percentage of managerial share ownership of a company, the greater the responsibility of management in making a decision, so that the risk becomes even higher (Saputra, 2014).

Effect of Independent Commissioners on Risk Management
Board of commissioners plays an important role in a company, especially in the implementation of good corporate governance in a company. According to Boediono (2005), the characteristics of the board of commissioners in general, and the composition of the board in particular can be a mechanism that determines the act towards profit management. Through the role in carrying out the supervisory function of the company operations by the management, the composition of the board of commissioners can contribute effectively to the results of the process of preparing quality financial statement or the possibility of avoiding fraudulent financial statement.

Effect of Board of Commissioners’ Size on Risk Management
Large board size tends to be a great resource for the board of commissioners (Subramaniam, et al., 2009). The larger size of the board of commissioners will provide strength in the supervisory function carried out by the board of commissioners. The larger board size will provide greater opportunity to find members with the skills needed to coordinate and become involved in committees established by the board of commissioners aimed at risk management. The study by Elzahar and Hussainey (2012) proved that the size of board of commissioners has a significant effect on risk management disclosure. Diani's research (2013) provided evidence that the size of the board of commissioners has no effect on risk management disclosure.

Effect of Auditor Reputation on Risk Management
The auditor is an external supervision mechanism of an
has recently become the center of attention for risk management. The size of the audit company can influence the formation of a new committee (Chen, et al., 2009). Audit companies which are the members of the Big Four can improve the quality of their clients’ internal control mechanisms compared to non-Big Four auditors. The demands may be motivated by the need to maintain audit quality and to protect their reputation. The results of research by Sulistyaningih and Gunawan (2016) proved that the auditor reputation has no effect on risk management disclosure. Buckby et al. (2015) concluded that the auditor reputation as measured by big-4 auditors had no impact on risk management disclosure in companies in Australia. While Putri's research (2013) proved that the auditor reputation has an effect on risk management disclosure.

Effect of Leverage on Risk Management
This study used the level of leverage as a proxy for the level of corporate risk disclosure. The level of leverage can show how a company must bear the risk of its debt. The high level of leverage shows that the company has a capital structure with the amount of debt which is greater than the amount of equity, which make a higher risk in paying off debts and interest. When a company has a higher level of debt than a capital structure, creditors can force the company to disclose further information (Ahn and Lee, 2004 in Amran et al, 2009). Leverage is a measure of the amount of assets financed by debt. According to stakeholder theory, companies are expected to reveal more risks with the aim of providing an assessment and explanation of what is happening to the company (Amran et al, 2009). There is a positive relationship between the level of leverage of the company with risk disclosure, in which this is based on the study of Hassan (2009) which used measurement of debt to assets and debt to equity to represent the level of risk (leverage level) and find a significant positive relationship to disclosure of risk companies in the UAE. Anisa's research (2012) also proved that leverage affects risk management disclosure.

Effect of Company Size on Risk Management
Large companies can provide reports for internal purposes, where the information is also used as material for information needs to external parties, so there is no need to spend additional costs. The bigger the company, the more information will be disclosed (Saputra, 2014). The disclosed information will also be more detail such as information about company risk management, because large companies are considered capable of providing this information. The research of Amran, Bin and Hasan (2009) and Anisa (2012) proved that the size of the company influences risk disclosure.

Research Hypothesis
Based on the previous research, the research hypothesis is presented below:
H1 = Managerial ownership affects the risk management disclosure.
H2 = Independent commissioner affects the risk management disclosure.
H3 = Size of commissioner board affects the risk management disclosure.
H4 = Auditor reputation affects the risk management disclosure.
H5 = Leverage affects the risk management disclosure.
H6 = Company size affects the risk management disclosure.

3 RESEARCH METHOD
Population is a comprehensive collection of an object which becomes the attention of researchers (Ronny Kountur, 2004: 9). According to J. Supranto (1993: 17), a population is a complete collection of all similar elements but can be distinguished from one another. These differences are due to the different values of characteristics. The population in this study was the entire real estate company listed on the Indonesia Stock Exchange in the period 2013-2015. The sampling process of this study was based on a purposive sampling method where samples were chosen based on certain criteria. The criteria used to select samples were as follows:
1. Real estate company listed on the Indonesia Stock Exchange.
2. Real estate companies that published financial statements during 2013 - 2015.
3. The company had complete data related to the variables in the study.
Based on the above criteria, 10 companies were taken as sample.

Data Analysis

Descriptive Statistics Analysis
Descriptive statistic provides an illustration or description of data which is seen from the average value (mean), standard deviation, variance, maximum, minimum, sum, range, kurtosis, and skewness (tendency distribution) (Ghozali, 2006).

Classical Assumption Test
The classical assumption test in this study was conducted to test if the data in the study had met the classical assumption criteria. The purpose of the classic assumption test is to avoid ordinary estimation because not all data can be applied in a regression analysis. There were three classic assumption tests carried out in this research, namely normality test, multicollinearity test, and heteroscedasticity test.

Normality Test
The normality test aims to test whether the dependent and independent variables in the regression model are normally distributed (Ghozali, 2006). The data which are normal or near-normal is a good regression model. The normality test was done using graph analysis and statistical analysis. Graph analysis was done by looking at the histogram graph. Normality graph histogram could be seen from the distribution of observational data that was close to the normal distribution. In addition, this study also conducted analysis tests using the One Sample Kolmogorov Smirnov Test. Data are stated as normally distributed if these variables have a probability value> 0.05 (greater than 0.05).

Multicollinearities Test
Multicollinearities test aims to examine the existence of correlations between independent variables and regression
A good regression model should not have a correlation between the independent variables (Ghozali, 2006). Multicollinearity testing can be seen from the tolerance value and variance inflation factor (VIF). If the tolerance value is <0.10 or equal to VIF value > 10 then there is multicollinearity that cannot be tolerated and the variable must be excluded from the regression model, so that the results obtained are not biased.

Heteroscedasticity Test
Heteroscedasticity test is done to find out whether in the regression model variance inequalities from residual of one to another observation in the regression model. A good regression model is if variance from residual of one to another observation is still homoscedastic or there is no heteroscedasticity (Ghozali, 2006).

The Multiple Regression Equation Model
Multiple regression models are used to test the effect of independent variables on the dependent variable. The independent variables of this study were managerial ownership, public ownership, board size, auditor reputation, leverage, and firm size, while the dependent variable in this study was risk management disclosure. Regression models which was developed to test hypotheses in this study were:

\[ Y = \beta_0 + \beta_1 \text{ManagerialOwnership} + \beta_2 \text{Independent Commissioner} + \beta_3 \text{CommissionerSize} + \beta_4 \text{Auditor Reputation} + \beta_5 \text{Leverage} + \beta_6 \text{CompanySize} + \varepsilon \]

Note:
- \( Y \) = Risk management disclosure
- \( \beta_0 \) = Constants
- \( \beta_1 - 6 \) = Regression coefficient
- \( \varepsilon \) = Error degree (the amount of effect of factor other than \( X_1-X_6 \))

Coefficient of Determination Test (R2)
Coefficient of determination test aims to find out how far the ability of the research model to explain the variation of the dependent variable. The coefficient of determination is between 0 and 1. If the test variable has a value of 0 or close to 0, it means that the ability of independent variables to explain the dependent variable has limitations, but if the test variable has a value of 1 or close to one, the independent variable gives almost all the information needed to predict dependent variable variations (Ghozali, 2006).

Simultaneous Significance (F-test)
The F-test is used to test whether all the independent variables included in the regression model have a simultaneous influence on the dependent variable (Ghozali, 2006). Testing is done using a significance level of 0.05 (alpha = 5%). The independent variable has a significant influence on the dependent variable if the significance is <0.05, so that the research hypothesis will be accepted. In contrast, if the independent variable does not have a significant effect on the dependent variable it will have a significance level> 0.05, so the research hypothesis will be rejected.

Partial Test (t-test)
The t-test is used to find out how far the influence of one independent variable individually in explaining the variation of the dependent variable (Ghozali, 2006). This test was carried out using a significance level of 0.05 (alpha = 5%). Partially, the independent variable has a significant effect on the dependent variable if the significance value is <0.05, so the research hypothesis is accepted. Conversely, if partially the independent variable does not have a significant effect on the dependent variable then the significance value is > 0.05, so the research hypothesis is rejected (regression coefficient is not significant).

4 RESULT AND DISCUSSION

Descriptive Statistic
Table I shows descriptive function in each variable used in the research. Minimum value shows the lowest value in each variable, while maximum shows the highest value in each variable.

Classical Assumption Test

Data Normality Test
Table II shows that the value of Asymp.Sig.(2-tailed) was 0.859. It shows that p value 0.859 > 0.05. In conclusion, the residual data of research regression model is normally distributed.
Multicollinearities Test

The results of multicollinearity test in Table III illustrates that managerial ownership variables, independent commissioners, commissioner size and auditor reputation, leverage and firm size had no tolerance value <0.10 but had a VIF value > 10. Thus, it could be concluded that there was no multicollinearity in regression models.

Heteroscedasticity Test

As it can be seen in Figure 1, the dots spread without forming a clear pattern, both above or below 0 (zero) on Y axis. It showed that there was no heteroscedasticity in the multiple linear regression model.

Research Hypothesis Testing

Hypothesis testing

Hypothesis 1 to hypothesis 6 aimed to examine the factors that influence risk management disclosure. Based on the results of hypothesis testing with multiple regression analysis with SPSS program, the following results were obtained:

From the table V of multiple linear regression above, the equation obtained shows as follows:

\[
Y = \beta_0 + \beta_1 \text{ManagerialOwnership} + \beta_2 \text{IndependentCommissioner} + \beta_3 \text{CommissionerSize} + \beta_4 \text{AuditorReputation} + \beta_5 \text{Leverage} + \beta_6 \text{CompanySize} + \varepsilon
\]

So, the equation was:

\[
Y = -0.662 - 0.011 \text{ManagerialOwnership} + 0.041 \text{IndependentCommissioner} + 0.154 \text{CommissionerSize} + 0.016\text{AuditorReputation} - 0.049 \text{Leverage} + 0.345 \text{CompanySize} + \varepsilon
\]

The explanation of these equations is as follows:

- Constants of -0.662 showed that if managerial ownership, independent commissioners, the size of the board of commissioners and the audit committee were 0 then the risk management disclosure index was -0.662
- Managerial ownership variable regression coefficient was -0.011; meaning that if managerial ownership increased by one unit, the risk management disclosure index decreased by 0.011 units, assumed that other independent variables
were fix value.

- The regression coefficient of the independent commissioner variable was 0.041; showed that if the independent commissioner would have a one-unit increase, the risk management disclosure index increased by 0.041 units, assumed that the other independent variables were fix value.

- Regression coefficient variable of commissioner board size was 0.154, which meant that if the board of commissioners had a one-unit increase, the risk management disclosure index increased by 0.154 units, assumed that the other independent variables were fix value.

- Auditor reputation variable regression coefficient of 0.016; meant that if the auditor's reputation increased by one unit, the risk management disclosure index increased by 0.016 units, assumed that the other independent variables were fix value.

- Variable regression coefficient leverage of -0.049; which meant that if the lever increased in one unit, the risk management disclosure index decreased by 0.049 units, assuming the other independent variables were fix value.

- Variable regression coefficients of company size of 0.345; which meant that if the size of the company had a one-unit increase, the risk management disclosure index increased by 0.345 units, assumed the other independent variables were fix value.

F significance value was 0.000, smaller than α = 0.05, which indicated that the research model (multiple regression equation) used was very feasible for predicting the effect of independent variables on the dependent variable. Adjusted R2 value was 0.663 (66.3%) indicated that the effect of the independent variable on the dependent variable was 66.3%, while the rest was influenced by other variables which were not included in this research model.

5 CONCLUSION AND SUGGESTION

5.1 Conclusion
The coefficient of determination test results (Adjusted R Square) from hypothesis 1 to hypothesis 6 showed the value of 66.3%. These results indicated that the variables ability of managerial ownership, independent commissioners, commissioner board size, auditor reputation, leverage and company size in explaining changes in risk management disclosure was 66.3%, the remaining 33.7% was explained by other variables outside the research model. Based on the results of F-test, the model above obtained F significance value which was smaller than α = 0.05, which meant that all independent variables that consisted of managerial ownership, independent commissioners, commissioner board size, auditor reputation, leverage and company size had an effect on risk management disclosure. The model in this study was good and feasible, or the model used in research was fit. Based on the t-test results, it could be concluded that H1, H3, H5 and H6 were accepted, where managerial ownership, commissioner size, leverage and company size had an influence on risk management disclosure. In contrast, H2 and H4 were not accepted, which showed that independent commissioners and the auditor reputation had no effect on risk management disclosure.

5.1 Suggestion
5.1.1 The future research should increase the number of samples in other types of companies, such as manufacturing and mining companies that may have a high risk of pollution or environmental damage.

5.1.2 Increasing a period of research years so that the results can be more accurate.

Adding other variables which also have an influence on risk management disclosure such as institutional ownership, audit committees and other variables.

REFERENCES

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