# FACTORS AFFECTING RISK DISCLOSURE IN LISTED INDONESIAN CONSUMER GOODS INDUSTRY COMPANIES

**Sasya Sabrina[1]* and Yessy[2]**
*[12]Accounting Department, Faculty of Economics and Communications, Bina Nusantara University, Jakarta*

email: [1]ssabrina@binus.edu,
[2]sasyasabrina@gmail.com

**ABSTRACT**

The demand for information disclosure by investor is increasing especially the disclosure related to non-financial information since investment activity is an activity that contains risks and uncertainties. The purpose of this research is to analyze the effect of foreign share ownership, public share ownership, profitability, and company size on risk disclosure. The agency theory and the stakeholder theory are used as the supporting theory in this research. This research population is listed consumer goods industry companies in 2013-2015. The data were selected using purposive sampling. The 75 data from 25 companies were collected and analysed using multiple linear regressions. The results of this research are foreign share ownership has significant effect on risk disclosure, firm size has significant effect on risk disclosure, public share ownership has no significant effect on risk disclosure, and profitability has no significant effect on risk disclosure. This research is expected to be able to contribute to provide a more understanding of the importance of risk disclosure and the important factors affecting the risk disclosure.

**Keywords** : Risk disclosure, foreign share ownership, public share ownership, profitability, and firm size.

***ABSTRAK***

*Kebutuhan investor atas pengungkapan informasi meningkat terutama pengungkapan yang terkait informasi non keuangan karena aktivitas investasi merupakan aktivitas yang mengandung risiko dan ketidakpastian. Tujuan dari penelitian ini adalah untuk menganalisis pengaruh kepemilikan saham asing, kepemilikan saham publik, profitabilitas, and ukuran perusahaan pada pengungkapan risiko. Teori keagenan dan teori pemangku kepentingan digunakan sebagai teori pendukung pada penelitian ini. Penelitian ini menggunakan populasi perusahaan industri barang konsumsi yang terdaftar pada Bursa Efek Indonesia pada tahun 2013-2015. Data dipilih menggunakan purposive sampling. 75 data dari 25 perusahaan industri barang konsumsi dikumpulkan dan dianalisis dengan regresi linear berganda. Penelitian ini memberikan hasil sebagai berikut: kepemilikan saham asing mempunyai pengaruh signifikan pada pengungkapan risiko, ukuran perusahaan mempunyai pengaruh signifikan pada pengungkapan risiko, kepemilikan saham publik tidak mempunyai pengaruh signifikan pada pengungkapan risiko, dan profitabiltas tidak mempunyai pengaruh signifikan pada pengungkapan risiko. Penelitian ini diharapkan dapat berkontribusi memberikan pemahaman yang lebih banyak atas pentingnya pengungkapan risiko dan faktor penting yang mempengaruhi pengungkapan risiko.*

***Keywords** : Pengungkapan risiko, kepemilikan saham asing, kepemilikan saham publik, profitabilitas, and ukuran perusahaan.*

Draft awal: 15 Februari 2019; Direvisi: 11 Juli 2019; Diterima: 19 Juli 2019

## 1. Introduction

Business competition between companies must be balanced with the quality of the company itself. The increasingly fierce business competitions, encourages each company to be more transparent in disclosing information. Information disclosed must be understandable, relevant, trustworthy, and comparable. The more quality and comprehensive information presented in the annual report of the company, the more important the report is for investors (Miihkinen, 2012) and reduce information asymmetry that often occurs especially between investors and management (Lajili & Zeghal, 2005). The need for information disclosure is increasing, especially the disclosure related to non-financial information (Cole & Jones, 2005). This is necessary because investment activities are activities that contain risks and uncertainties. Disclosure of risk will help investors determine the risk level they will face and improve the quality of their investment decisions (Solomon *et al.,* 2000).

In Indonesia, regulations relating to risk disclosure are Regulation of the Financial Services Authority Number 29/POJK.04/2016 concerning Annual Reports of Issuers or Public Companies, Decree of the Chairman of the Capital Market and Financial Institution Supervisory Agency Number: KEP-346/BL/2011 concerning Submission Periodic Financial Statements of Issuers or Public Companies, and Circular of the Financial Services Authority Number 30/SEOJK.04/2016 concerning the Form and Content of Annual Reports of Issuers or Public Companies. The regulation regulates what information must be presented in the annual report.

Research conducted by Prayoga & Almilia (2013) on manufacturing companies indicated that ownership of domestic institutions, ownership of foreign institutions, and public share ownership affect risk disclosure, while company size, management ownership does not affect risk disclosure. Utomo & Chariri (2014) conducted research on Indonesian listed non financial companies showed that the ownership structure, independent directors and audit committee did not significantly influence risk disclosure, whereas leverage, industry type, and board meetings frequency had a significant effect positively on risk disclosure. Mubarok & Rohman (2013) conducted a study on the effect of company characteristics and corporate governance mechanisms on risk disclosure in interim financial statements of listed Indonesian non-financial companies. The independent variables are company characteristics (such as type of industry, company size, profitability, gearing, liquidity, and cross-listing), and corporate governance mechanisms (such as institutional ownership, board size, composition of the board of commissioners, and audit committee size), and risk disclosure as the dependent variable. The results showed that the variables that positively affect risk disclosure are only cross-listing and audit committee size.

Research by Elzahar and Hussainey (2012) analyzed the determinants of narrative disclosure of company risk in interim financial reports in the United Kingdom. The independent variables are company size, cross listing, profitability, liquidity, gearing, institutional ownership, board size, board composition, and role duality. The results showed that company size, profitability, liquidity, gearing, cross listing affect risk disclosure, while institutional ownership, role duality, board size, and board composition do not affect risk disclosure. Mokhtar and Mellet (2013) conducted research on the effects of barriers to entry, board size, role duality, ownership concentration, company size, liquidity, industrial sector, and auditor type on mandatory risk disclosure and voluntary risk disclosure. The results showed that barriers to entry, the type of auditor had a positive effect on voluntary risk disclosure, board size had a positive effect on mandatory and voluntary risk disclosure. Ownership concentration, role duality, and type of auditor negatively affect mandatory risk disclosure. Ownership concentration, role duality, company size, industrial sector, and liquidity do not affect voluntary risk disclosure.

Listed Indonesian consumer goods companies in 2013-2015 were used as the population of this research. Investment in consumer goods industry companies is a promising investment because consumer goods industry companies provide products that are the primary needs of the community. The demand for consumer goods industry products will tend to be stable which has an impact on the ability to produce optimal profits so that companies that have high profits can also provide high returns to investors.

Research on risk disclosure still provides different conclusions. In addition, investors' demand for risk disclosure is higher, so research on risk disclosure is very interesting to study in Indonesia. Problem identifications of this research are:

1. Does foreign share ownership affect the risk disclosure?
2. Does public share ownership affect the risk disclosure?
3. Does profitability affect risk disclosure?
4. Does the size of the company affect the risk disclosure?

## 2. Literature Review

### *2.1. Agency Theory*

Jensen & Meckling (1976) discuss the relationship between principal (shareholder) and agent (manager) related to how to manage the company. The principal is an entity that delegates the authority to the agent to manage the company on behalf of the principal including to make decisions. Agency theory predicts managers will do a job or will make decisions that will benefit themselves, even though those decisions are not the best for shareholders. In addition, managers have more and more accurate company information compared to shareholders. The main purpose of risk disclosure is to lower the agency costs incurred because the interest of managers are different from the interest of the shareholders and the information asymmetry that occurs between managers and shareholders.

### 2.2. *Stakeholder theory*

Stakeholder theory gives the idea that the company does not only operate for the company itself, but also to provide benefits for stakeholders. Shareholders, customers, suppliers, government, employees, creditors, and community are the examples of stakeholders (Freeman & Reed, 1983). Information is an important element in decision making, so investors as one of the stakeholders will find ways to obtain information related to risks that are useful in decision making (Amran et al., 2009). By making wider disclosures including risk disclosures, investors will feel more satisfied.

### 2.3. Risk Disclosure

Risk is an uncertain outcome because the probability of uncertainty cannot be determined. There are six risk categories, namely: financial risks, operation risks, empowerment risks, information processing and technology risks, integrity risks, and strategic risks (Linsley & Shrives, 2006). Miihkinen (2012) defines risk disclosure as all information about risks presented by companies in annual reports. Lack of information about company risks in the annual report can threaten the relevance of the report (Cabedo & Tirado, 2004).

### 2.4. Effects of Foreign share ownership on Risk Disclosure

Foreign share ownership is the proportion of common stock of companies owned by individuals, legal entities, governments and their overseas portions. Foreign participation in companies in Indonesia due to financial globalization can be in the form of increased presence of foreign managers. Increased demand from foreign consumers who need services from domestic companies, or increased foreign debt due to the inflow of foreign capital. Thus, if the higher the foreign share ownership, the greater the risk level. Then the disclosure of risk management is increasingly needed. Prayoga and Almilia (2013) conducted a study on the effect of ownership structure on risk disclosures in manufacturing companies listed in the period 2007-2011. The results of this study indicate that ownership of foreign institutions influences risk disclosure. With the ownership of foreign institutions, the management will improve the quality of its performance because foreign parties have high standards so that they will show the ways that have been taken to overcome the risks faced by the company. Based on the description above, the hypothesis 1 of this research is:

$H_1$: Foreign share ownership has an effect on risk disclosure.

### 2.5. Effect of Public Share Ownership on Risk Disclosure

Public share ownership is the proportion of share ownership owned by the public / community to company shares. The public itself is an individual (not a significant institution) that has a share ownership of under 5% that is outside management and has no special relationship with the company. Prayoga and Almilia (2013) conducted a study on the effect of public share ownership on risk disclosure. The results showed that public share ownership affects the risk disclosure. The greater the percentage of public share ownership, the greater the demands of public shareholders on companies to provide more information including risk disclosures in the annual report. Based on the description above, the hypothesis 2 of this research is:

$H_2$: Public share ownership influences the risk disclosure.

### 2.6. Effect of Profitability on Risk Disclosure

The level of profitability can be interpreted as characteristics that describe the ability of companies to generate profits. Companies with a high level of profitability will disclose more information. This is because high profitability indicates that the company can manage the company well. Companies that generate a high level of profitability are followed by high risks, thus encouraging companies to disclose risk information that is increasingly widespread. There is a positive relationship between the level of profitability and risk disclosure because company managers in increasing profits can provide greater information to increase investor confidence and thus to increase their compensation. The results of the research conducted by Ruwita and Harto (2013) show that company size is significantly related to corporate risk disclosure. Profitability has a positive effect on company risk disclosure because the higher the profit the company can produce, the greater the manager's push to provide detailed information as evidence that they are capable of generating profits for the company. Based on the description above, the hypothesis 3 of this research is:

$H_3$: Profitability affects the risk disclosure.

### 2.7. Effect of Company Size on Risk Disclosure

Large companies are considered to be able to provide information both for internal and expternal parties and have many resources to do that so large companies do not need additional costs to present information to all stakeholders. The larger the company, the more information it will disclose. The details will also be disclosed, such as information related to the risk faced by the company, because large companies are considered capable of providing this information (Prayoga & Almilia, 2013). The results of the research conducted by Ruwita and Harto (2013) show that company size is significantly related to corporate risk disclosure. The size of the company is able to influence the disclosure of company risk because the larger a company is, the more stakeholders the company has. In accordance with stakeholder theory, as the number of stakeholders increases, the risk disclosure obligation becomes greater to meet stakeholder needs. Based on the description above, the hypothesis 4 of this research is:

$H_4$: Firm size influences the risk disclosure.

## 3. Research Method

This study employs 75 research data from listed Indonesian consumer goods company in 2013-2015. Research conducted is quantitative research. Data obtained from the official website of the Indonesia Stock Exchange, www.idx.co.id. The data to be used in this study are financial data contained in the financial statements and annual reports of companies that meet the criteria. The sampling technique uses purposive sampling method. The dependent variable of this study is risk disclosure and the independent variables are foreign share ownership, public share ownership, profitability, and company size.

Regression models used to analyze the effect of independent variables on the dependent variable are:

$$RD = \alpha + \beta1FO + \beta2PO + \beta3PR + \beta4CS + \varepsilon$$

Information:

| | | |
|---|---|---|
| RD | = | Risk disclosure |
| FO | = | Foreign share ownership |
| PO | = | Public share ownership |
| PR | = | Profitability |
| CS | = | Company size |
| $\alpha$ | = | Constant |
| $\beta1, \beta2, \beta3$ | = | Coefficient of regression |
| $\varepsilon$ | = | Error |

### 3.1. Dependent Variable

The dependent variable studied in this research is risk disclosure. Risk management is a systematic and ongoing process, which is designed and carried out by management (including all company personnel) to provide reasonable assurance that all risks that have the potential to hinder the company's goals and objectives have been identified and managed in such a manner in accordance with the risk level that the company is willing to take (risk appetite). The content analysis method is used to indicate the risk disclosed by the company based on research conducted by Linsley and Shrives (2006), Amran *et al.*, (2009), and Mokhtar and Mellet (2013). These risk disclosures are grouped into 6 (six) types of risks disclosed by risk management in which there are a total of 38 items and then in the risk grouping table will be given a value of 1 (one) if the company makes a risk disclosure, and if it does not disclose risk is given a value of 0 (zero).

The six types of risk used in this study are as follows:

1. Financial risk, which is a risk that causes a decrease in the company's profitability and in extreme conditions can cause the company's destruction. This risk arises as a result of shares and bonds issuers who are unable to pay dividends or interest, or the

principal of the loan along with the interest.

2. Operational risk, the risk associated with the daily activities of the company if the company is unable to manage its internal functions, both in terms of failures in managing systems, processes, or people can have a negative impact on the company. In addition, operational risks can also be caused by external factors, which occur beyond the company's ability, such as earthquakes, floods and landslides.
3. Empowerment risk, the risk that has an important role in the social responsibility of the community in disclosing risk management. All companies must be responsive to the needs of the community. Social responsibility has become an increasingly important issue because the community is increasingly large towards companies.
4. Information processing and technology risk, namely risks associated with information processing and corporate information technology systems such as data corruption, hacking, cracking, and the presence of unwanted companies such as covering network / IT infrastructure risks and information integration risks.
5. Integrity risk, which is the risk that comes from unwillingness to maintain the principles that become the moral values of a company, and dishonesty in the company, such as committing corruption, fraud, or violation of the law.
6. Strategic risk, the risk that arises because of the company's inability to formulate and implement the right business strategy of the company, so that the company is difficult to face competition and maintain its competitive advantage.

The level of risk disclosure in a company's annual report can be measured by:

$$\%\,Risk\ disclosure = \frac{\sum Risk\ disclosed\ by\ the\ company}{Total\ risk\ must\ be\ disclosed} \times 100\%$$

## 3.2. Independent Variables

### 3.2.1. Foreign Share Ownership

According to Law No. 25 of 2007 article 1 paragraph 6 concerning Investment, foreign investors are defined as individuals who are foreign citizens, foreign business entities, and foreign governments that make investments in the territory of the Republic of Indonesia. In this study, foreign share ownership is measured by the number of shares owned by foreign institutions divided by the number of shares outstanding, expressed by the formula:

$$\%\,Foreign\ share\ ownership = \frac{\sum Share\ owned\ by\ foreign\ institution}{\sum Outstanding\ Shares} \times 100\%$$

### 3.2.2. Public Share Ownership

In this study, public share ownership is measured by the number of shares owned by the public or public divided by the number of shares outstanding, expressed by the formula:

$$\%\,Public\ share\ ownership = \frac{\sum Share\ owned\ by\ public}{\sum Outstanding\ Shares} \times 100\%$$

### 3.2.3. Profitability

Profitability is a ratio that illustrates the ability of the company to earn profits. The increase in profit is the basis for evaluating the company's performance. In this study, profitability is proxied by Return on Assets (ROA). ROA is a measurement of financial performance that is most often used in the literature because this ratio measures the profitability associated with the amount of assets used (Rose, 2016).

Return on Assets (ROA) is expressed by the formula:

$$\mathrm{ROA} = \frac{Net\ Income}{Total\ Asset}\ x\ 100\%$$

### 3.2.4. Company Size

The size of the company can be seen from the size of the capital utilized, total assets controlled, or total sales earns. This study uses the total assets of the company in determining the size of the company. Because the total assets of the company are of great value, this can be simplified by transforming into natural logarithms so that the size of the company can be calculated by:

$$Company\ size = \ln Total\ Assets$$

## 4. Result and Discussion

### 4.1. Descriptive Statistics

The following is a table of descriptive statistical analysis results:

Table 1 Results of Descriptive Statistics Analysis

| | Min | Max | Mean | Std. Deviation |
|---|---|---|---|---|
| FO | .00 | .98 | .3701 | .35920 |
| PO | .02 | .50 | .2102 | .12487 |
| PR | -.10 | .39 | .1040 | .10319 |
| CS | 25.30 | 32.15 | 28.2794 | 1.71171 |
| RD | .55 | .89 | .7423 | .06914 |

Source : Data Analysis (2017)

Table 1 shows the results of descriptive statistical analysis with 75 N samples, 25 companies multiplied by the year under study for 3 years. SA variable, namely Foreign share ownership is an independent variable in this study. Foreign share ownership has a minimum value of 0.00 or 0%, which means there are several companies that do not have foreign shares and a maximum value of 0.98 or 98%, which means there are companies that are almost wholly owned by foreign companies. And the average value of foreign share ownership is 0.3701 or 37% and a standard deviation of 0.35920 which shows the distribution of foreign share ownership data in the company. SP variable, namely Public share ownership is an independent variable in this study, the minimum value in public share ownership is 0.02 or 2% and the maximum value is 0.50 or 50% and the average public shares owned by the company is 0.2102 or 21%. The standard deviation of public share ownership is 1.2487. The ROA variable is Return on Assets, the results of descriptive statistics show a minimum value of -0.10 or -10%, which means there are several companies that experienced losses in the current year. The maximum value is 0.39 or 39%. The average value of 0.1040 or 10.4% and the standard deviation of 0.10319. The UP variable which is Company Size is an independent variable in this study shows the minimum value in (natural logarithm) of 25.30, the maximum value in (natural logarithm) of 32.15, average (mean) of 28.2794, and standard deviation show 1.71171. MR variable, namely risk disclosure is the dependent variable in this study, risk management has a minimum value of 0.55 or 55% and a maximum of 0.89 or 89%. The average value of 0.7423 or 74.2%. Standard deviation of 0.06914.

### 4.2. Multiple Regression Result

The following is a table of multiple regression results:

*Table 2 Results of Multiple Regression*

| Variables | Coefficient | t-stat |
|---|---|---|
| (Constant) | .269 | 2.136* |
| FO | -.059 | -2.779* |
| PO | .004 | 0.066 |
| PR | -.079 | -1.048 |
| CS | .018 | 3.862* |
| Adjusted R Square | | .304 |
| F test | | 11.858 |
| Sig | | .000 |

Source : Data Analysis (2017)
*= significant at 0.05

### 4.3. Discussion on the Effect of Foreign share ownership on Risk Disclosure

The first hypothesis ($H_1$) in this study is that foreign share ownership has an effect on risk disclosure. In this study foreign share ownership is measured by the portion of foreign share ownership compared to the number of outstanding shares in the year. Based on the results of the t test, the variable foreign share ownership has a significant effect on risk disclosure, which means the value of foreign share ownership can be used as a reference on the risk disclosure made by the company. Thus, the first hypothesis ($H_1$) is accepted.

Variable foreign share ownership has a regression coefficient of -0.059 with a negative direction towards risk disclosure which means that the higher the foreign share ownership, the lower the risk disclosure made by the company. If the foreign share ownership variable increases by one unit, the risk disclosure index will decrease by 0.059 units. This study agrees with research conducted by Prayoga and Almilia (2013). Foreign share ownership has a negative effect on risk disclosure because with foreign participation companies are required to meet their high standards. To deal with these demands, managers will manage the company well and try to reduce the risks that will be faced by the company. Thus, the risk faced by the company becomes less, so the risk disclosure will also decrease.

The result of this research is not in line with research conducted by Adelopo (2011) in Nigeria. The results of the study stated that foreign share ownership did not have a significant effect on the level of voluntary disclosure.

### 4.4. Discussion on the Effect of Public Share Ownership on Risk Disclosure

The second hypothesis ($H_2$) in this study is that public share ownership has a significant effect on risk disclosure. Based on the results of the t test, the variable public share ownership does not have a significant effect on risk disclosure. This means that public share ownership cannot be used as a reference in the disclosure of risk by the company. Thus, the second hypothesis ($H_2$) is rejected.

The results of this study concur with research conducted by Ruwita and Harto (2013), the results of the study indicate that public share ownership has no significant effect on corporate risk disclosure. This is because management will consider the costs and benefits of risk disclosure. So, the company will only disclose information if the benefits derived from disclosure exceed the cost of disclosure of information so that the high or low public share ownership does not affect the company's risk disclosure.

The result of this research is not in line with research conducted by Prayoga and Almilia (2013), the results of the study indicate that public share ownership affects the risk management disclosure. The greater the percentage of public share ownership, the greater the demands of public shareholders on companies to provide more information including risk disclosures in the annual report.

### 4.5. Discussion on the Effect of Profitability on Risk Disclosure

The third hypothesis ($H_3$) in this study is profitability has a significant effect on risk disclosure. Based on the results of the t test, the profitability variable does not significantly influence the risk disclosure. This means that profitability cannot be used as a reference on risk disclosures made by companies. Thus, the third hypothesis (H3) is rejected.

This study is in line with research by Elzahar and Hussainey (2012), Lipunga (2014), and Madrigal *et al.*, (2015). The results of the study found that profitability was not a factor that could explain the level of risk disclosure practices in the annual report. The results show that the relationship is insignificant because both the small and large companies want to disclose more information to satisfy their current stakeholders, especially investors. Profitability is the ability of companies to benefit from investment, companies with high profitability tend to attract more investors. However, high profitability cannot guarantee wider information disclosure because the company considers that financial performance is a more interesting aspect compared to the risk disclosure of investor decision making.

This study is not in line with the research of Ruwita and Harto (2013). The results of the study indicate that firm size is significantly related to disclosure of company risk because the higher the profit the company can generate, the greater the manager's impulse to provide detailed information as evidence that they are capable of generating profits for the company.

### 4.6. Discussion on the Effect of Company Size on Risk Disclosure

The fourth hypothesis ($H_4$) in this study is that company size has a significant effect on risk disclosure. Based on the results of the t test, firm size variables significantly influence the risk disclosure. This means that ownership of company size can be used as a reference in the disclosure of risk by the company. Thus, the fourth hypothesis ($H_4$) is accepted.

The company size variable has a coefficient value of 0.018 with a positive direction on risk disclosure, which means the higher the value of company size (total assets), the higher the risk disclosure made by the company. If the company size variable increases satu unit, the risk disclosure index will increase by 0.018 units and vice versa. This study is in line with research by Linsley and Shrives (2006), Amran *et al.,* (2009), Madrigal *et al.,* (2015), and Saggar and Singh (2017). The larger the size of the company, the more interested parties will be. This encourages companies to be more open to risk disclosure. In addition, large companies will be better able to disclose high-quality information to meet the desires of many and diverse stakeholders.

This study is not in line with research by Beretta and Bozzolan (2004) and Rajab and Handley-Schachler (2009). Disclosure to the market and external environment does not differ due to company size factors (Rajab & Handley-Schachler, 2009).

### 4.7. Managerial Implication

Based on the results of the research above, it can be seen that foreign share ownership and size of the company affect the risk disclosure. Foreign share ownership has a negative effect on risk disclosure meaning that the higher the percentage of foreign share ownership of a company, the less disclosure is made by the company because in fact with the presence of foreign interference, companies are required to produce good performance so the less risk will be disclosed. The size of the company has a positive effect on risk disclosure meaning that the greater a company, the more disclosure of the risks faced by the company. This can be caused by large companies having greater resources to be able to make more comprehensive disclosures. In addition, large corporate investors also demanded companies to be transparent to investors.

This research is expected to be able to contribute to users so the users have more understanding about risk disclosure. For regulators, it is expected to be able to stipulate provisions regarding risk disclosure that must be complied by the company. For companies, it is expected to make more complete and comprehensive disclosures in order to increase transparency for stakeholders, especially investors and creditors. For investors, it is hoped that more attention will be given to the factors that influence risk disclosure to be useful in making investment decisions.

## 5. Conclusion

Foreign share ownership has a negative effect on risk disclosure because with foreign participation companies are required to meet their high standards. To deal with these demands, managers will manage the company well and try to reduce the risks that threaten the company. Thus, the risk owned by the company becomes less, so the risk disclosure will also decrease.

Public share ownership does not affect risk disclosure. This is because management will only disclose information if the benefits derived from disclosure exceeds the cost of disclosing the information so that high or low public share ownership does not affect the company's risk disclosure.

Profitability which is proxied by return on assets has no effect on risk disclosure. This is because high profitability cannot guarantee wider information disclosure because the company considers that financial performance is a more interesting aspect than risk disclosure.

Company size has a positive effect on risk disclosure. The larger the size of the company, the more interested parties will be. This encourages companies to be more open to risk disclosure. In addition, large companies will be able to present or provide relevant information needed by the stakeholders.

## REFERENCES


Adelopo, I. (2011). Voluntary Disclosure Practices amongst Listed Companies in Nigeria. *Advances in Accounting*, *27*(2), 338-345. https://doi.org/10.1016%2Fj.adiac.2011.08.009

Amran, A., Bin, A.M.R., & Hassan, B. (2009). Risk Reporting: An Exploratory Study on Risk Management Disclosure in Malaysian Annual Reports. *Managerial Auditing Journal, 24*(1), 39-57. https://doi.org/10.1108%2F02686900910919893

Beretta, S., & Bozzolan, S. (2004). A Framework for the Analysis of Firm Risk Communication. *The nternational Journal of Accounting, 39*(3), 265-288. https://doi.org/10.1016%2Fj.intacc.2004.06.006

Cabedo, J., & Tirado, J. (2004). The Disclosure of Risk in Financial Statements. *Accounting Forum, 28*(2), 181-200. https://doi.org/10.1016%2Fj.accfor.2003.10.002

Cole, C., & Jones, C. (2005). Management Discussion and Analysis: A Review and Implications. *Journal of Accounting Literature, 24*, 135-174.

Elzahar, H., & Hussainey, K. (2012). Determinants of Narrative Risk Disclosures in UK Interim Reports. *The Journal of Risk Finance*, *13*(2), 133-147. https://doi.org/10.1108%2F15265941211203189

Freeman, R., & Reed, D. (1983). Stockholders and Stakeholders: A New Perspective on Corporate Governance. *California Management Review, XXV*(3), 88-106. https://doi.org/10.2307%2F41165018

Jensen, M., & Meckling, W. (1976). Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. *Journal of Financial Economics, 3*(4), 305-360. https://doi.org/10.1016%2F0304-405x%2876%2990026-x

Lajili, K., & Zeghal, D. (2005). A Content Analysis of Risk Management Disclosures in Canadian Annual Reports. *Canadian Journal of Administrative Sciences, 22*(2), 125-142. https://doi.org/10.1111%2Fj.1936-4490.2005.tb00714.x

Linsley, P., & Shrives, P. (2006). Risk Reporting: A Study of Risk Disclosures in the Annual Reports of UK Companies. *The British Accounting Review, 38*(4), 387-404. https://doi.org/10.1016%2Fj.bar.2006.05.002

Lipunga, A. M. (2014). Risk Disclosure Practices of Malawian Commercial Banks. *Journal of Contemporary Issues in Business Research, 3*(3), 154-167.

Madrigal, M. H., Guzman, B. A., & Guzman, C. A. (2015). Determinants of Corporate Risk Disclosure in Large Spanish Companies: A Snapshot. *Contaduria y Administracion, 60*(4), 757-775. https://doi.org/10.1016%2Fj.cya.2015.05.014

Miihkinen, A. (2012, December). What Drives Quality of Firm Risk Disclosure?: The Impact of a National Disclosure Standard and Reporting Incentives Under IFRS. *The International Journal of Accounting, 47*(4), 437-468. https://doi.org/10.1016%2Fj.intacc.2012.10.005

Mokhtar, E. S., & Mellet, H. (2013). Competition, Corporate Governance, Ownership Structure, and Risk Reporting. *Managerial Auditing Journal, 28*(9), 838-865. https://doi.org/10.1108%2Fmaj-11-2012-0776

Mubarok, M. A., & Rohman, A. (2013). Pengaruh Karakteristik Perusahaan dan Mekanisme Corporate Governance terhadap Pengungkapan Risiko dalam Laporan Keuangan Interim. *Diponegoro Journal of Accounting, 2*(2), 1-15.

Prayoga, E., & Almilia, L. (2013). Pengaruh Struktur Kepemilikan dan Ukuran Perusahaan terhadap Pangungkapan Manajemen Risiko. *Jurnal Akuntansi dan Keuangan, 4*(1), 1-19.

Rajab, B., & Handley-Schachler, M. (2009). Corporate Risk Disclosure by UK Firms: Trends and Determinants. *World Review of Entrepreneurship Management and Sustainable Development, 5*(3), 224-243. https://doi.org/10.1504%2Fwremsd.2009.026801

Rose, C. (2016). Firm Performance and Comply or Explain Disclosure in Corporate Governance. *European Management Journal, 34*(3), 202-222. https://doi.org/10.1016%2Fj.emj.2016.03.003

Ruwita, C., & Harto, P. (2013). Analisis Pengaruh Karakteristik Perusahaan dan Corporate Governance terhadap Pengungkapan Risiko Perusahaan. *Diponegoro Journal of Accounting, 2*(2), 1-13.

Saggar, R., & Singh, B. (2017). Corporate Governance and Risk Reporting: Indian Evidence. *Managerial Auditing Journal, 32*(4/5), 378-405. https://doi.org/10.1108%2Fmaj-03-2016-1341

Solomon, J., Solomon, A., Norton, S., & Joseph, N. (2000). A Conceptual Framework for Corporate Risk Disclosure Emerging from the Agenda for Corporate Governance Reform. *British Accounting Review, 32*(4), 447-478. https://doi.org/10.1006%2Fbare.2000.0145

Utomo, Y., & Chariri, A. (2014). Determinan Pengungkapan Risiko pada Perusahaan Nonkeuangan di Indonesia. *Diponegoro Journal of Accounting, 3*(3), 1-14.