



The Effect Of Institutional Ownership, Board of Commissioners on Corporate Risk Disclosure

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Abstract.

In the growing of awareness towards investment, the capital in banking industry plays a vital role in Indonesia's economy, it is important to ensure a good reporting quality. Corporate risk disclosure are the key elements that ensure a transparent and reliable report for investor to use and make the investmet decision. Risk Disclosure are influenced by various factors, this study aims to analyze the impact of Board Commissioners had to risk disclosure as in the size board commissioner and the board meeting frequency, another variables this study highlights is the correlations between institutional ownership towards risk disclosure. The object of this study are banking firms listed on Indonesain Stock Exchange (IDX) ranging in 5 years from 2019-2023. This study use purposive sampling to sample the 195 valid data of banking firm the sample used in this study are 179 samples as the other data are considered to be irrelevant the data obtained is secondary quantitative data obtained from company's annual report. Data was analyzed with multiple regression method using the help of IBS SPSS V. 25 Software. Research show that Institutional Ownership and Board of Commissioners size has positive significance influence on Corporate Risk Disclosure while Board of Commissioners meeting frequency has no significant influence towards Corporate risk Disclosure. This implies the vital role of Institutional ownership and Board of Commisioners size had towards the quality of risk disclosure

Keywords: Institutional Ownership, Board of Commisioners, Corporate Risk Disclosure

1 Introduction

General Statement

This study was made to analyze the impacts of board of commissioners and institutional ownership of the quality of Corporate risk Disclosure, Corporate risk disclosure is a very crucial elements of the reliability of financial statements, According to the analysis made by (<https://bisnisindonesia.id/article/jumlah-investor-pasar-modal-di-indonesia-tembus-1232-juta-per-januari-2024>), numbers of investor in

Indonesia's capital market has significantly increased. According to the data from KSEI (Indonesian Central Securities Depository), the numbers of investors has reached 12.32 million by January 2024, This increase shows the growing of public interest and awareness towards investment. Information on the financial statement shows not only quantitative financial data but also qualitative financial information, that include risk disclosure. According to a study by the World Bank on 1994, it is found that the banking industry contributed amounting to 60% of total financial institution assets in Asia, this shows that the banking industry plays a very important role on one's country economy (Salem, Ayadi, & Hussainey, 2019) Informations on financial statement are used by investor to help make a decision about investment. Greater transparency in risk disclosure can enhance investor confidence and attract more interest in a company. Corporate risk disclosure itself disclose the risk that company has managed while dealing with future risk control strategies (Adiwibowo & Wicaksono, 2020). The quality of risk disclosure on annual reports are influenced by various factors, this study highlights the influence of institutional ownership, board size and board meeting frequency on ensuring the effectiveness of corporate risk disclosure. (Cahyadi & Lukman, 2023). Disclosure of risk reveals a company's financial health and risk management practices, making it a critical component of investment decision-making (Lutfi et al., 2020). Transparency in risk disclosure are the the key points that helps investor to gain confidence and trust on one's company which help to grow attractiveness in investment. (Alshihrah, 2020). POJK No. 18/POJK.03/2016 states that Indonesian banks must have robust risk management in place because of the ever-changing internal and external elements that raise company risks (Sheila & Ruslim, 2023). Maintaining accountability and openness requires effective risk disclosure to make sure stakeholders investors are fully informed about potential risks and how they are being managed (Abbas, et al., 2021). This statement is consistent with the theory used on this study, which are the Signalling Theory. Which Signalling Theory has roots in the study of information asymmetry and economics. It implies that market players deduce an entity's fundamental quality from the facts at their disposal (Spence, 1973).

Theory, Hypotheses, Literature Review

Signaling theory in corporate governance describes how companies reveal information to lessen asymmetry and uncertainty between internal management and external stakeholders. Strong governance and transparency give investors good signals about a company's financial health and responsible management, whereas poor disclosures give investors bad signals that could cause financial instability and mistrust. Signalling Theory suggest that companies to disclose risk with a transparent and organized structure to show accountability in financial statements and firm's management. (Ahmad, Muhammad, & Narullia, 2021)

The Effect Of Institutional ownership on Corporate Risk Disclosure

Institutional ownership defined as the percentage of ownership structure which are owned by institutional investors, Institutional investors are entities that pools money

to invest in various assets or markets this includes companies such as mutual funds, insurance companies, asset management firms, banks, and pension funds. Astuti (2021) defines institutional ownership as the number of shares that belongs to institute outside of the company. Analyzing the previous studies made about the relationship between institutional ownership and corporate risk disclosure shows a variety of result. Study made by Arshirah and Arshirah (2023) found that there are no significant relationship between institutional ownership and risk disclosure, however this result goes against study made by Rifani and Astuti (2019) that reported a significant positive influence of institutional ownership towards, supporting this study is research made by Uba (2024) that states positive correlation of institutional ownership and corporate risk disclosure. Institutional ownership typically hold large volumes of shares of the company, this gives them the authority to influence the decision-making in companies which includes the corporate governance. Consistent with the theory used in this study are signalling theory suggest companies that have larger institutional ownership structure to engage in greater transparency to reassure investors as institutional investors with large decision making influence on the firm demand accurate risk disclosure in order to protect their investments and exert pressure on firms to maintain governance standards. Based by the explanation and the result from previous studies, the hypothesis made in this studies are :

H1 : Institutional ownership has positive significant influence towards risk disclosure

The Effect Of Board Of Commissioners Size on Corporate Risk Disclosure

Another important factor that influence the quality of corporate risk disclosure on financial statement this study highlights is the board size. Board of commissioners are the company representative on corporate governance operations and disclosure and determines a company's strategic plans. Septiana & Aris (2023) defines board size as numbers of individual that were chosen directly to lead on firm representing both minority or majority. Board of companies are a key element to ensure a good corporate governance, this study defines board of commissioners as an organ of an issuer of public company which is responsible for carrying out both general and specific supervision and providing advice to the board of directors. Duties and responsibilities of the committee to the board of commissioners include making decisions that are taken based on the principle of deliberation. While some studies have found no significant relationship between board size and risk disclosure (Malek et al., 2020; Adiwibowo & Wicaksono, 2020), others suggest a positive correlation (Cahyadi & Lukman, 2023). Based by the explanation and the result from previous studies, the hypothesis made in this studies are H2 : Board size has positive significant influence towards risk disclosure

The Effect Of Board Of Commissioners Meeting Frequency on Corporate Risk Disclosure.

Board meetings is the implementation of the job description board commissioners have in doing its job to lead and supervising management. (Lukman & Cahyadi, 2023). Furthermore, the Board of Commissioners is required to hold joint meetings with the Board of Directors periodically, at least once every 4 (four) months.

Signalling theory propose that frequent meetings signal a proactive approach to corporate governance and transparency (Anggriani et al., 2019). Board meeting stated in 33/POJK/2014, board meetings are obligated to establish guidelines that bonds members, this guidelines should reflect internal risk management information used by the board and key management, which balance confidentiality and materiality while explaining the risk and reward. Previous study made about correlation between board meeting result in varies conclusion, as study made by Alshirah, Rahman, Mustapa (2020) shows that board meeting have no significant influence towards corporate risk disclosure, while research by Mekar, Yuniar, Syafruddin (2022) stated otherwise showing that board meeting do have positive significant influence towards corporate risk disclosure. Based by the explanation and the result from previous studies, the hypothesis made in this studies are :

H3 : Board meeting frequency has positive significant influence towards risk disclosure

2 Research Method

This study uses quantitative descriptive method. Variables used in this study are Secondary data taken from firm's annual report published ranging in 5 years. The object of this study are banking firms that are listed on Indonesian Stock Exchange (IDX) from 2019 through 2023. This study use non-probability sampling which is purposive sampling, The criteria for this study are :

1. Banking industry firm on Indonesia that are listed on Indonesian Stock Exchange (IDX) ranging 2019-2023
2. Not have been suspend or delisting from the period 2019-2023
3. Banking Industry firm that disclose Institutional ownership on annual reports for the period 2019-2023.

Table 1. Total sample used

| No | Sampling Criteria | Total |
|----|---|-------|
| 1 | Companies listed in the Indonesia Stock Exchange Index ranging 2019-2023 | 46 |
| 2 | Companies suspended or delisted from period 2019-2023 | (0) |
| 3 | Companies that does not disclose Institutional ownership on annual reports for the period 2019-2023 | (7) |
| 4 | Total Companies | 39 |
| 5 | Years of observation | 5 |
| 6 | Data removed due to outliers | (16) |
| 7 | Total data used in observation | 179 |

Source : Authors

Criteria used in the selection of samples in this study totaled to 39 companies with data conducted for 5 years ranging 2019-2023. The companies eliminated were companies that have no specific disclose in annual firms about the variables needed in this study. So the total observation data used in this research was 195 observations. On this study, Corporate risk Disclosure are used as dependent variable and Institutional Ownership, Board of commissioners size, Board of commissioners meeting frequency are used as independent variables. The dependent Variables, the corporate risk disclosure are measured by content analysis method, the items that are disclosed on annual reports on financial statements came up as a sentence this study use the content analysis method to analyze the relevancy of each sentence which explains about risk disclosed in firm's annual report. Due to some outliers, the data is then again re-selected amounting to 179 data used on the observation.

Measurements of Dependent Variables

Based on previous reseach and studies about corporate risk disclosure, this study applies the same method on calculating the corporate risk disclosure which is by the ratio of amount risk disclosed on annual reports divided by the risk disclosure total index. We divided the Risk Corporate Disclosure into 2 main category which are Voluntary Risk Disclosure (VRD) and Mandatory Risk Disclosure (MRD). We refer to the IFRS 7 that regulates the 4 main category of risk that are need to be disclosed, which are Credit risk, Liquidity Risk, Market Risk. The item were scored with '1' if the item that are required on IFRS are disclosed, and scored with '0' if the item are not disclosed. We calculate the index based on the maximum amount bank could disclose. The total index we measured by analyzing 39 Banking firm in Indonesia are 20 items. This method also refer to previous study by Alkurdi et al (2019) that helps re-validate this method.

Measurements of Independent Variables

For the independent variables, institutional ownership is calculated by dividing the amount shares hold by institutional investors which include banks, assurance, mutual fund, pension fund, cooperative by the total shares outstanding, this formula was originated by previous research of Cindyana (2020) this data was found on firm's annual statement on shares ownership section. The board size variables is calculated from the number of board commisioners for the firm on the current year, this item is also found by the annual report, the board commisioners meeting frequency variables is calculated by the amount of internal board of commisioners meeting held for the year.

Regression Model

Prior to regression analysis using IBM SPSS Version 25, data undergoes Classical Assumption Tests to validate its suitability for statistical analysis. These tests include assessing normality to ensure residuals follow a normal distribution, checking for multicollinearity to detect high correlations between independent variables, identifying heteroscedasticity to confirm even error distribution, and examining

autocorrelation to ensure residuals are independent. Meeting these assumptions—normality, absence of multicollinearity, homoscedasticity (absence of heteroscedasticity), and absence of autocorrelation—is crucial for the reliability and validity of regression analysis results. The multiple regression model used in this study are :

$$RD = \alpha + \beta_1 KI + \beta_2 UD + \beta_3 FRD + e$$

RD = Corporate Risk Disclosure

α = Parameter

β_1 = Institutional Onwership Regression coefficient

β_2 = Board Commisioner Size Regression coefficient

β_3 = Board Commisioner meeting frequency Regression coefficient

KI = Institutional Ownership

UD = Board of commissioners size

FRD = Board Commisioner meeting frequency

3 Results and Discussion

Descriptive Statistics

Table 2. Descriptive Statistics table

| | N | Minimum | Maximum | Mean | Std. Deviation |
|--------------------|-----|---------|---------|---------|----------------|
| KI | 179 | .00 | .99 | .5983 | .31767 |
| UD | 179 | 2.00 | 9.00 | 4.8324 | 1.57039 |
| FRD | 179 | 4.00 | 45.00 | 13.4134 | 8.89117 |
| CRD | 179 | .2 | .8 | .5712 | .14760 |
| Valid N (listwise) | 179 | | | | |

Source : SPSS V. 25 Output (2025)

Table above shows the descriptive statistics for all of the variables both dependent and independent variables, the highest maximum value of the independent variables are on the institutional ownership at 0,99% the number shows the amount of institutional ownership had on a company with a very small percentage of public ownership, while the minimum values are 0 showing the company with no institutional ownership. The highest value of board of commissioners size are 9 and the minimum amount of the board commissioners on the banking firm are 2. The frequency of board of commissioners varies from the 2 on the minimum value.

Classical Assumption Test

Before the regression, the data is tested to ensure the validity of the data, the data has been tested and proved to passed all the test required so the next test could be processed.

Table 3. Classical Assumption test result

| Test | Asymp. Sig (2 Tailed) | Variables | Sig. | Collibearity Tolerance | VIF Test | Durbin Watson |
|------------------------|-----------------------|-----------|-------|------------------------|----------|---------------|
| Normality Test | 0.2 | | | | | |
| Heteroscedacity Test | | KI | 0.09 | | | |
| | | UD | 0.784 | | | |
| | | FRD | 0.349 | | | |
| Multicollinearity test | | KI | | 0.929 | 1.077 | |
| | | UD | | 0.948 | 1.055 | |
| | | FRD | | 0.974 | 1.027 | |
| Autocorrelation test | | | | | | 2.014 |

Source : SPSS V. 25 Output (2025)

Based on table above, Asymp. Sig (2 tailed) show result of 0,2, this value is bigger than 0,05 which shows that the data used is distributed normally, For the heteroscedacity is tested by the Sig. Value measured by 0,05. If the value is bigger than 0,05 meaning there are no heteroscedacity between variables. All of the variables above shows value > 0,05 meaning there is no heteroscedacity or no variance or inconsistency on the the residuals. For multicollinearity, the Institutional Ownership shows 0,929. value for tolerance, All of the variables have VIF value less than 10. This shows that all of the variables passed the multicollinearity test meaning there is no correlation and dependency towards each of the independent variables. For the last classical assumption test, the Durbin Watson shows values of 2.014, with the 5% significance level, n = 179 with k = 3, D_L are 1.539 and D_U are 1.813, this result falls between d_U and d_L, this suggests that there is no autocorrelation in regression models.

Theory Test

The data passed the classical assumption test showing validity and reliability on the data, the data then are processed to show the Partial T test and F test.

Table 4. Anova table result

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|-----|-------------|-------|-------------------|
| 1 | Regression | .474 | 3 | .158 | 5.984 | .001 ^b |
| | Residual | 4.622 | 175 | .026 | | |
| | Total | 5.097 | 178 | | | |

Source : SPSS V. 25 Output (2025)

Tables above shows the Sig. Value of 0,001. This amount are lower than 0,05. Which means all of the independent variables the institutional ownership, board of commissioners size and board of commissioners frequency meeting simultantly have influence on the dependent variables. Which means the model used on this study are valid and proper.

Table 5. partial t test and regression result

| Model | | Unstandardized Coefficients | | Standardized Coefficients | | Collinearity Statistics | | |
|-------|------------|-----------------------------|------------|---------------------------|--------|-------------------------|-----------|-------|
| | | B | Std. Error | Beta | t | Sig. | Tolerance | VIF |
| 1 | (Constant) | .469 | .045 | | 10.439 | .000 | | |
| | KI | .109 | .043 | .188 | 2.521 | .013 | .929 | 1.077 |
| | UD | .019 | .008 | .178 | 2.407 | .017 | .948 | 1.055 |
| | FRD | .003 | .001 | .154 | 2.117 | .007 | .974 | 1.027 |

Source : SPSS V. 25 Output (2025)

Based on the tables above,,All of the independent variables show values lower then 0,05. This means that all of the independent variables including institutional ownership, board commissioners size, and board commissioners meeting frequency has significant values towards the dependent variables. Based on the result, the regression resulting to

$$RD = 0,469 + 0,109 KI + 0,019 UD + 0,003 FRD \dots\dots\dots$$

This regression has 0,469 constanta, this shows the value of RD when all of the independent variables are zero, meaning that assuming that when there are no contribution from all of the independent variables, the expected baseline value of Corporate Risk Disclosure is 0,469.

Table 6. Hypotheses analysis and regression

| Explanations | Hypotheses | Regression result | Analysis |
|----------------------|--------------------|----------------------|------------------------|
| Impact of KI to CRD | Positive influence | Positive Significant | Hypotheses is accepted |
| Impact of UD to CRD | Positive influence | Positive Significant | Hypotheses is accepted |
| Impact of FRD to CRD | Positive influence | Positive Significant | Hypotheses is accepted |

Source : Author (2025)

The result shows the positive significant influence of Institutional Ownership towards Corporate Risk Disclosure this is consistent with the study made by Rifani, & Astuti (2019). Unlike retail investors, institutional investors require a more detailed information disclosed on annual statements including risk disclosure to have a proper inputs for investment decisions (Rahayu, Ardi, & Hamdani, 2022)., therefore they have more power to pressure management to improve transparency on disclosing information.. Consistent with the signalling theory, institutional investors prefer firms that could meet their expectations to increase the risk disclosure, it pressures firms to signal to institutional investors that they are transparent and compliant with the risk disclosing regulations, this will help firms to attract and retain the institutional investors commitment to transparency. This is well supported by research made by Utari, Faiz, Rosalina (2023).

The size of the Board of Commissioners (BoC) has been found to have a positive influence on corporate risk disclosure (CRD). Indonesia follows a two-board system, meaning the Board of Directors did executive role and are responsible for operational management. Meanwhile, Board of Commisioners exist to supervise and act as an advisors for the executives. The Board of Directors is in charge of overseeing management choices, maintaining openness, and reducing agency issues in its capacity as the principals (shareholders) representation. To maintain a balance between management and monitoring responsibilities. BoC serves a strong signal of better transparency on disclosing risk as a larger BoC allows for more effective supervision of management's actions and more commissioners mean diverse expertise and perspectives, which can lead to improved risk management strategies and higher-quality disclosures.

The frequency of Board Meeting has a positive influence towards corporate risk disclosure (CRD). Board Meeting is a way for board of commissioners to show participation on controlling and managing an effective corporate risk disclosure, Indonesia's board of commissioners meeting are also regulated by POJK Number 33/POJK.04/2014. By the frequent discussion due to regular meetings gives a more relevant and proper decision making about transparency, more frequent board of commissioners represent the voice of stakeholder and helps to bridge stakeholders expectation towards management realization. This result aligns with previous studies conducted by Cahyadi & Lukman (2023)

4 Conclussions and Suggestions

This study examines the impact of institutional ownership, board of commissioners' size, and board meeting frequency on corporate risk disclosure (CRD) in Indonesian banking firms. Corporate risk disclosure plays a crucial role in ensuring transparency, reducing information asymmetry, and enhancing investor confidence. The results indicate that institutional ownership has a positive and significant influence on CRD, supporting signalling theory, which suggests that firms with high institutional ownership tend to disclose more risk-related information to signal credibility, transparency, and sound governance. Institutional investors, such as banks, insurance companies, and mutual funds, hold substantial ownership stakes,

allowing them to exert significant influence over corporate policies. Their demand for detailed and accurate disclosures pressures firms to adopt transparent reporting practices, ensuring that risk-related information is disclosed in a comprehensive manner. Similarly, the size of the board of commissioners also has a positive and significant impact on CRD. Larger boards allow for more thorough monitoring of management actions, increasing the likelihood of rigorous disclosure practices. Furthermore, board members with diverse backgrounds and professional expertise contribute to more effective risk management strategies, ensuring that potential financial and operational risks are properly disclosed. The presence of a well-structured board sends strong signals to investors and stakeholders, reinforcing the company's commitment to transparency and responsible risk management. This study finds that the frequency of board meetings does have a significant influence on CRD, meeting are an essential element of Board Commissioners on doing its controlling duty. Board of commissioners meeting enable board of commissioners to improve transparency by active discussion. The research are used by 3 main users which are companies. Future researcher, and investors. Additionally, boards should focus on expertise and independence rather than merely increasing meeting frequency to improve governance effectiveness, while for future researcher could add another variables relevance with Corporate Risk disclosure.

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