

## Risk Disclosure in Indonesian Banking: The Role of Board of Directors and Institutional Ownership

Dhea Vania Dominique Pijoh<sup>1</sup>, Bima Cinintya Pratama<sup>2\*</sup>, Hadi Pramono<sup>3</sup>, Ira Hapsari<sup>4</sup>

Universitas Muhammadiyah Purwokerto

**Corresponding Author:** Bima Cinintya Pratama [pratamabima@gmail.com](mailto:pratamabima@gmail.com)

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### ABSTRACT

This study aims to examine risk disclosure by considering the influence of board tenure, gender composition of female board of directors, and institutional ownership. This study used a purposive sampling method at commercial banks registered with OJK in a total of 205 samples with 41 banking companies during the 2017-2021 period. To test the research hypothesis used panel data regression model analysis. The analysis techniques used in this study were descriptive statistical tests, preliminary tests (Breusch-Pagan, likelihood tests, hausman tests), diagnostic tests (heteroscedasticity tests and autocorrelation tests), and hypothesis testing. Based on the results of the three preliminary tests in determining the panel data regression model, this study will use the fixed effect model to examine the relationship between variables in the regression model 1. The results of the analysis prove that board tenure and institutional ownership have a positive effect on risk disclosure, while the gender composition of female directors has no effect on risk disclosure.

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## INTRODUCTION

The banking sector is one sector whose operational activities are quite closely guarded by the government. This is done because banking has an important role in people's lives in a country (Wijaya, 2018). Banks must have a high level of trust from the public to deposit their funds. This is one of the guarantees that must be carried out by banks to carry out their functions and responsibilities as a company that has public accountability (Christian & Kurnia, 2016). The importance of the banking industry for the stability and economy of a country makes the banking industry highly regulated. The magnitude of the recovery costs when a crisis occurs in the industry, the collapse of other industries due to the banking industry crisis, and the destruction of a country's economic stability are some examples of the impacts that result if the banking system does not work as it should (Wijaya, 2018).

Risks will be encountered in the process of achieving the goal of maintaining economic stability. Risks that arise tend to be uncertain, but this uncertainty will have an impact on the future in the process of achieving goals (Aditya & Meiranto, 2015). In general, the banking sector has a higher level of risk than other sectors because there are special regulations and restrictions from Bank Indonesia (BI) so that banks can be said to be healthy (Limena & Eriandani, 2020). Bank Indonesia Regulation Number 11/25/PBI/2009 concerning the Implementation of Risk Management for Commercial Banks consists of credit risk, market risk, liquidity risk, operational risk, compliance risk, legal risk, reputation risk, and strategic risk.

Another regulation that regulates risk disclosure is Bank Indonesia Regulation Number 14/14/PBI/2012 concerning Transparency and Publication of Bank Reports. The regulation requires the Bank to compile an Annual Report which at least covers the types of risks and potential losses (risk exposures) faced by the Bank, as well as the risk management practices applied by the Bank. Some of the criteria to prove a bank is healthy is if the *non-performing loan* (NPL) credit risk that has criteria from Bank Indonesia is less than 5% and the liquidity risk Loan to Deposit Ratio (LDR) has a minimum standard of 78% and a maximum of 92% (Limena & Eriandani, 2020). According to Financial Services Authority Regulation (POJK) No. 18/POJK.03/2016 concerning the Implementation of Risk Management for Commercial Banks, bank activities always face risks as financial institutions. Banking is a trusted industry where the strength of the banking system which is the main requirement for economic growth and stability can run well so that customers who get information can give confidence in the bank (Wijaya, 2018).

The disclosure of financial cases of large companies that caused a financial crisis has made accounting reporting standards in the world increasingly developed. The case experienced by customers of Bank Negara Indonesia (BNI) 46 Ambon Main Branch valued at Rp. 58.9 billion in 2019. In the case of the burglary of customer money, the perpetrators involved came from internal bank parties. So the management should be part of the implementation of supervision. This case is caused by the low level of banking risk control at the regional branch office level, risk management in banking is

still very minimal and security supervision is only focused on the loan and landing side, while the theft of funds occurs from the funding side. So it is necessary to improve the SOP (Standard Operating Procedure) related to governance and risk management (Aisyah, 2022).

The second case was at PT Bank Maybank Indonesia TBK (BNII) in 2020. This case began when the funds were lost to customers who were e-sport athletes. The estimated amount of money lost is Rp. 22 billion with the suspect has been determined is the Head of the Maybank Cipular South Jakarta Branch. The Bank must pay more attention to and comply with the risk management rules issued by the regulator. Where the risk management of the bank is not able to prevent the practices of unscrupulous banks, resulting in conceded and negligence of the bank in implementing risk management (Aisyah, 2022).

Disclosure of information about risks and uncertainties has now become an important part of financial reporting. The practice of accounting irregularities by large companies has increased the discussion regarding the need for risk disclosure (Linsley & Shrides, 2006). According to the Statement of Financial Accounting Standards (PSAK) No. 60 (Revised 2010) regarding financial instruments: disclosure states that information that can be used by users of financial statements to evaluate the type and level of risk of financial instruments must be disclosed. This is done to avoid risk. One way that can be done to avoid risk is by managing that risk, for example through risk management (Aditya & Meiranto, 2015).

Risk disclosure can be interpreted as disclosure of the risks that have been managed by the company or disclosure of how the company will control risks in the future (Amran et al., 2009). Disclosure of risk information must be adequate so that it can be used as a tool for making careful and appropriate decisions. However, in reality, there are agency problems from agents and principals where information asymmetry occurs (Limena & Eriandani, 2020). Therefore, banking companies need to be transparent and maintain the performance of their companies so that they can continue to operate. To reduce the risk cases as described previously, it is necessary to have a system that can control and direct a company such as corporate governance (Muslih & Mulyaningtyas, 2019). One part of corporate governance is the board of directors.

The term of office of the board of directors is the term of service of the president director working or serving in the company. Based on agency theory, the information submitted by the manager is information that covers the entire condition of the company. The longer the tenure of the board members can provide greater experience, competence, and commitment to the company because they have more knowledge about the company and the business environment, this has a material impact on the decision-making process, especially on risk information to be disclosed (Lestari et al. ., 2020).

Previous research by Puspitosari (2019), Bravo and Reguera-Alvarado (2017), and Kim and Yang (2014) proved that the tenure of the board of directors can affect the quality of information submitted by the company because the longer the tenure of the board of directors can provide experience,

competence and a greater commitment to the company because it has more knowledge about the company and the business environment so that companies that have a high level of risk will disclose justifications and explanations about what causes these risks to occur. Meanwhile, research conducted by Laela (2014), Lestari and Mutmainah (2020), Suhardjanto et al (2017), and Kwalomine (2018) proves that the tenure of the board of directors does not affect risk disclosure. Long-serving boards feel more senior and feel they have greater experience, knowledge, competence, and commitment to the company. Meanwhile, the board that has not served for a long time feels more dynamic in thinking, is open to something new, and is more daring in taking risks, it will have a bad impact if the board that has served for a long time and the new board does not cooperate and is concerned with their respective egos (Lestari et al., 2020).

According to Garcia-Sanchez et al (2017), female directors have better skills than male directors, and this results in increased organizational performance in a way that the diversity of the board of directors helps in understanding the labor market which can lead to wider demographics to penetrate the market and attract potential customers and suppliers. Gender differences suggest that while there is no overall difference in effectiveness between women and men, there are some gender-related differences in behavior and skills in some situations (Garcia-Meca, 2016). This difference in leadership style may have important implications for the effectiveness of the board in making decisions, one of which is risk disclosure (Nielsen & Huse, 2010).

The results of previous research by Seebeck and Vetter (2021), Hamdani and Hatane (2017), Garcia-Meca (2015), Salem H et al (2019), Garcia-Sanchez et al (2017), and Innayah et al (2021) show that gender diversity women have a positive effect on risk disclosure. Gender diversity can produce creativity, innovation, and higher quality in decision-making (Hamdani & Hatane, 2017). Meanwhile, research by Loukil and Yousfi (2016), Pradana and Khairusoalihin (2021), Yeo J and Suparman (2021), Lestari and Mutmainah (2020), Che-Adam et al (2019), and Farida (2019) prove that the gender composition of directors women do not affect risk disclosure. The low number of women on the board of directors will reduce the ability of women to influence and encourage change. So this will have an impact on the disclosure of company risk information which causes ineffective disclosure or even gives a negative impression (Farida, 2019).

According to agency theory, risk is generally associated with uncertainty, while agency theory can be used as a basis for understanding risk disclosure. The way to overcome the occurrence of information asymmetry in the agency problem is the existence of a risk disclosure mechanism. Managers need to prove and communicate the availability of relevant information to stakeholders regarding risk management experienced by the company. Trusted and timely risk disclosure will create information symmetry for stakeholders in making business decisions (Ramos & Cahyonowati, 2021). Agency theory predicts that institutional ownership will affect the level of supervision in a

company so it affects the level of risk disclosure. The existence of ownership by institutional investors such as insurance companies, banks, and investment companies and ownership by the public will encourage a more optimal increase in the supervision of the performance of the board of directors (Setyawan, 2019), (Pratama & Innayah, 2019). Through institutional ownership mechanisms, the effectiveness of corporate risk management by management can be seen from the information disclosed through market reactions to risk disclosure in the company's financial statements (Mubarok & Rohman, 2013).

Previous research conducted by Aditya and Meiranto (2015), Setyawan (2019), Rifani and Astuti (2019), Hardana and Syafruddin (2019), Juwita and Jurnal (2020), Salem H et al (2019), Saidah and Handayani (2014), and Yeo J and Suparman (2021) show that institutional ownership affects risk disclosure. The role of institutional ownership will reduce agency conflicts because in the company's activities the management will be supervised or controlled by the institution, thereby minimizing fraud in management. Institutional ownership generally can act as a party that monitors the company (Setyawan, 2019). Meanwhile, research by Gunawan and Zakiyah (2017), Mubarok and Rohman (2013), Nanda et al (2021), Nathaniela and Badjuri (2018), Purnomo et al (2021), and Taufani et al (2017) also states that institutional shareholders are not very considered risk management disclosure as one of the criteria for making investments so that investors are less likely to encourage companies to carry out risk management disclosures. The disclosure of risk management may be considered not so important for institutional shareholders because other interests prefer to be done to obtain profits from the company. Institutional investors may focus more on short-term profits, namely profits on funds invested in a company, and have not focused on long-term profits where the profits obtained are not only from the funds invested but also peace in investing their funds in a company (Gunawan and Zakiyah, 2017).

According to Jensen and Meckling (1976), institutional ownership has a very important role in minimizing agency conflicts that occur between managers and shareholders. This is because institutional investors are involved in strategic decisions so they do not easily believe in earnings manipulation. The greater the institutional ownership, the greater the voting power and the drive to optimize the value of the company. In other words, companies with a high level of institutional ownership will try to improve the quality of risk disclosure. With institutional ownership as a form of ownership structure in a company, shareholders will have a strong preference to control actions and increase supervision of management performance so that demands by shareholders regarding the identification of risks that may be faced by companies will increase (Trisdia and Nyoman, 2018).

Given the important role of institutional ownership in determining the board of directors and motivating them to improve the quality of risk information delivered, this research aims to comprehensively investigate the elements that can contribute to its improvement. This study examines the effect of Board of Directors Tenure, Gender Composition of Female Directors, and Institutional Ownership on Risk Disclosure. This research builds on research

conducted by Seebeck and Vetter (2021) which examines Gender Not Just a Numbers Game: How Board Gender Diversity Affects Corporate Risk Disclosure. The development is carried out by adding the tenure of the board of directors and institutional ownership as independent variables. The period in this study is from 2017 to 2021. The objects in this study are commercial banks registered with the Financial Services Authority (OJK).

## LITERATURE REVIEW

### *Agency Theory*

Agency theory is a relationship based on contracts that occur between members of the company, namely between the owner and the agent as the main actor (Jensen & Meckling, 1976). The existence of a board of directors is a necessary system for supervision and control activities within the company (Ramos & Cahyonowati, 2021). The board of directors has responsibility for the governance of their company. The responsibilities of the board of directors are to set the company's strategic goals, provide leadership to implement them, oversee the management of the business and report to shareholders on their stewardship. The actions of the board are subject to laws and regulations, regulations, and shareholders at the general meeting (Triyuwono, 2018).

One way to reduce agency costs quoted by Moh'd et al (1998) is institutional ownership. Distribution of shares to external shareholders, namely institutional ownership and the public, can reduce agency costs. Because ownership represents a source of power that can be used to support or vice versa for the existence of managers. The existence of ownership by institutional investors such as insurance companies, banks, and investment companies and ownership by the public will encourage more optimal supervision of manager performance.

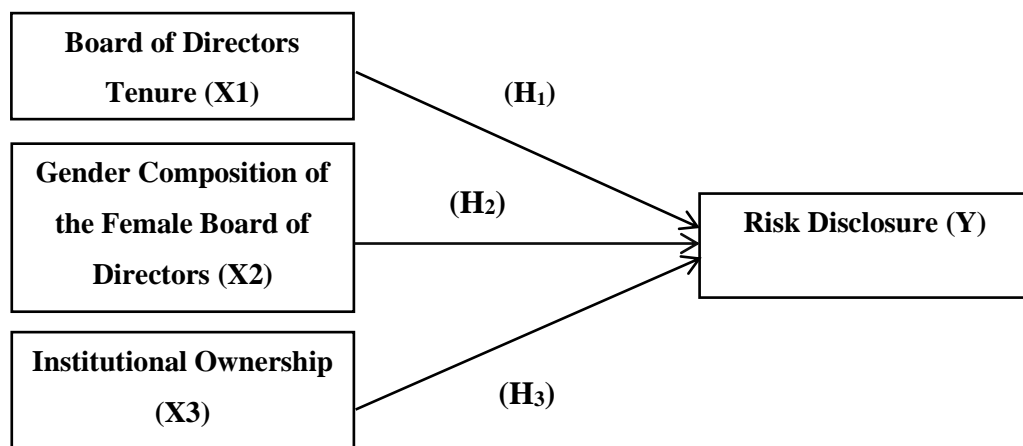


Figure 1. Research Framework

### *Influence of Board of Directors Tenure on Risk Disclosure*

In line with agency theory, during their tenure on the board of directors, certain special knowledge and unique abilities develop that enable them to assess the feasibility of plans proposed by management. Directors with longer

tenures have greater task knowledge and experience and increase the supervisory effect. The longer the position of a director, the more information he has, so he can make better decisions and can create better merger and acquisition performance (Puspitosari, 2019). According to Huybrechts et al (2013), the longer the term of office of the director, the more respected the director will be by his followers because he can handle various conflicts and minimize the risks faced by the company in risk disclosure.

According to the results of previous research by Nuansari and Windijarto (2019), the length of the director's tenure indicates better leadership abilities because they have more work experience and can overcome problems that occur through policy decisions that have been made. Then Puspitosari (2019), Bravo and Reguera-Alvarado (2017), and Kim and Yang (2014) also stated that the longer the term of office of the board of directors, the more the board of directors understands the operations and business character of the company, making it easier for the board of directors to provide oversight. to the manager. Based on the explanation above, the hypothesis proposed in this study is as follows:

**H1: The tenure of the Board of Directors has a positive effect on Risk Disclosure**

#### *Gender Composition of Female Directors on Risk Disclosure*

With diversity, it can help the board of directors think more broadly and from various perspectives so that it is more effective in dealing with the problem of diversity in the workforce and market products which is one of the company's competitive advantages (Hamdani & Hatane, 2017). Such gender diversity can play an important role in aligning managerial and shareholder interests (Farida, 2019). Female directors tend to prefer to hold meetings which can increase the disclosure of risk information (Sartawi et al., 2014).

The research of Seebeck and Vetter (2021), Hamdani and Hatane (2017), Garcia-Meca (2015), Salem H et al (2019), Sanchez Garcia (2017), and Innayah et al (2021) states that there is a positive influence between female gender diversity to risk disclosure. It can be concluded that the presence of gender diversity on the board of directors can help the board of directors thinks more broadly and from various perspectives so that it is more effective in dealing with the problem of diversity in the workforce and product market. From the description above, the first hypothesis can be formulated as follows:

**H2: Gender Composition of Female Directors has a positive effect on Risk Disclosure**

#### *The Effect of Institutional Ownership on Risk Disclosure*

Through the mechanism of institutional ownership, the effectiveness of corporate risk management by management can be known from the information disclosed through market reactions to risk disclosure in the company's financial statements (Mubarok & Rohman, 2013). Agency theory explains that institutional ownership affects the level of supervision in the company which has an impact on the level of risk disclosure (Elzahar &

Hussainey, 2012). The level of institutional ownership can increase oversight of the policies and reports provided by the company as well as risk management (Juwita & Jurnal, 2020). Shareholders with larger ownership will play an active role in the supervision and control of the company so that it requires less risk disclosure. However, it can reduce agency costs by actively participating in the company (Mubarok & Rohman, 2013).

Research by Aditya and Meiranto (2015), Setyawan (2019), Rifani and Astuti (2019), Hardana and Syafruddin (2019), Juwita and Jurnal (2020), Salem H et al (2019), Saidah and Handayani (2014), and Yeo J and Suparman (2021) which states that there is a positive influence between institutional ownership on risk disclosure. Large institutional ownership will encourage more attention to risk management in corporate decision-making so that there are no deviations in management and can manage risk appropriately. (Juwita & Jurnal, 2020). Based on the description, it can be formulated that:

**H3: Institutional Ownership has a positive effect on Risk Disclosure**

## **METHODOLOGY**

### *Population and Sample*

The population used in this study are companies registered with the OJK. While the sample used is a bank company registered with the OJK in 2017-2021. This research uses panel data regression model analysis. The criteria used are 1) Banking companies registered at [www.ojk.go.id](http://www.ojk.go.id) in 2017-2021, 2) Bank companies that issue annual financial reports, and 3) Companies that provide required and complete information related to the variables in this research. Based on the sample criteria that have been selected in this study, the research sample obtained was 205 samples with 41 companies and the period used in the study was 2017-2021.

### *Operational Definition and Measurement of Variables Board of Directors Tenure*

The term of office describes a mix of new board members and long-term board members. The longer tenure of the board members can provide greater experience, competence, and commitment to the company because they have more knowledge about the company and the business environment (Lestari et al., 2020).

The term of office of the board of directors is calculated based on the average term of office of the board of directors for one year. The term of office of each board of directors is seen from the year of appointment to the board of directors to the year of publication of the annual report or annual report (Kwalomine, 2018). The measurement of the tenure of the board of directors in this study is by previous research by Kwalomine (2018).

### *Gender Composition of the Female Board of Directors*

Gender differences indicate that although there is no overall difference in effectiveness between women and men, there are some gender-related differences in behavior and skills in some situations women play an important role in improving board effectiveness and company performance (Garcia-Meca,

2015). Women directors can provide a unique resource because a more diverse board can influence governance outcomes for superior organizational values and performance. Women are considered to have a cognitive style of feeling that empathizes with organizational values and can provide new insights and perspectives that lead to a knowledge base, creativity, and innovation (Isabel et al., 2017). Diversity can improve problem-solving skills because it consists of various perspectives. With diversity, the board will have a broader perspective so that it can better understand the complexity of the business environment which leads to increased decision-making abilities (Hamdani & Hatane, 2017).

Women provide a more collaborative approach to leadership, which contributes to greater communication between managers and boards, as well as stakeholders as women are generally more responsive to crises (Salem et al., 2019). The composition of female directors is measured by looking at previous research by Emma Garcia-Meca (2015) on the proportion of female directors.

#### *Institutional Ownership*

Institutional ownership is ownership of company shares owned by domestic or foreign institutions or institutions (government, insurance companies, banks, foreign nationals, foreign business entities, and foreign governments investing in the territory of the Republic of Indonesia) (Nathaniela & Badjuri, 2018). The amount of institutional ownership can encourage companies to make wider disclosures. It is believed that corporate governance can be improved by giving investors a greater role in monitoring management practices. Usually, institutional shareholders have more initiative to monitor the companies they own, unlike individual investors (Yeo & Suparman, 2021). Institutional ownership plays the role of both domestic and foreign investors who are in charge of supervising the company's activities carried out by management. If institutional ownership always monitors all activities carried out by the company, management will maximize its performance. This will make the company run well and can reduce agency costs (Rifani & Astuti, 2019).

#### *Risk Disclosure*

Risk disclosure is a company's way of communicating with its stakeholders. The company can provide information, especially regarding the risks that occur within the company. The ability of a company to manage risk and provide the information needed by stakeholders can be seen from the extent of risk disclosure. Disclosure of risk also reduces the uncertainty of a company's future cash flows as well as a means to protect shareholders (Falendro et al., 2018). Risk disclosure is one of the important disclosures for investors because it can provide useful information when making investment decisions (Setiawan & Andriyanto, 2019). Risk disclosure aims to help overcome and anticipate risks, reduce information asymmetry and help make it easier for stakeholders to understand the company's risk profile (Muslih & Mulyaningtyas, 2019). Companies are required to disclose information that allows users of financial statements to evaluate the type and level of risk

resulting from financial instruments exposed at the end of the reporting period (Rifani & Astuti, 2019).

According to Linsley and Shrives (2006), risk disclosure is measured using the content analysis method with an unweighted disclosure index approach. All the studies mentioned previously used the same proxy, which was measured by counting the total number of sentences containing risk information in the annual report. The table below shows the disclosure items by Linsley and Shrives to measure risk disclosure (Linsley & Shrives, 2006).

#### *Data Analysis Technique*

This study uses a panel data regression analysis model. Panel data analysis was used to examine the relationship between the tenure of the board of directors, the gender composition of female directors, and institutional ownership on risk disclosure. Panel data analysis consists of regression model OLS (ordinary least square), FE model (Fixed effect), and RE model (Random Effect) (Gujarati and Porter, 2009). In this study, Test Breusch and Pagan Lagrangian Multiplier are used to test the ordinary least square regression model versus the random effect regression model. While the Chow test is used to test the ordinary least square model versus the fixed effect model and the Hausman test is used to find the most appropriate panel data regression model between the fixed effect model and the random effect model.

## **RESULTS AND DISCUSSIONS**

#### *Descriptive Statistics*

Descriptive statistics can be used to obtain an overview of the distribution of the principal values of the mean. The standard deviation value can be considered an indicator of data dispersion. A smaller standard deviation indicates that the data is closer to the mean value. The descriptive statistics of the variables used in this study are shown in the [Table 2](#).

The RD variable (Risk Disclosure) has a mean value of 0.5964878 with a standard deviation of 0.1092863. This means that the level of risk disclosure presented by 41 banks in Indonesia is quite high, namely 59.64 % or a total of 22 items of the total risk disclosure indicator of 37 items. While the variable Tenure (Term of Office) has a mean value of 4.123902, meaning that the average board of directors served in commercial banks is quite good, namely for 4 years. On the other hand, the mean gender value of female board of directors is 0.1779024, indicating the low presence of women on the board of directors, which is only 17% compared to the number of male directors of 83%. Meanwhile, institutional ownership has a mean value of 0.7538537. This means that institutional ownership has an average value of 75.38 %, proving that the majority of shares of companies listed on the Indonesia Stock Exchange are half-owned by institutions. Overall, the descriptive statistics of each variable can be seen in the table below.

*Preliminary Test*

This study has done the preliminary tests which are breusch test and pagan lagrangian multiplier ([Table 3](#)), chow test ([Table 4](#)), hausman test ([Table 5](#)).

*Heteroscedasticity Diagnostic Test And Serial Correlation*

The results of this study use a fixed effect model to test the Diagnostic Heteroscedasticity and Serial Correlation are presented in [Table 6](#).

*Hypothesis Test Results*

Table 1: Hypothesis Test Results Model 1

Independent Variable	Dependent Variable			
	RD			
	coef.	Std. Err.	t	P>  t
Const	0.504564	0.061874	8.98	0.001
Tenure	0.0003036	0.000072	4.22	0.014*
Gender	-0.1756716	0.0826595	-2.13	0.101
KI	0.1617347	0.0338564	4.78	0.009*
R-squared within	0.0677			
F	24.63			
Prob > F	0.0049*			
No. observation	205			

\* 5% significance

*Hypothesis Test Results 1*

Hypothesis 1 testing aims to examine the effect of tenure of the board of directors on risk disclosure. As seen in Table 7, the test of Hypothesis 1 shows that there is a significant positive relationship between the tenure of the board of directors and risk disclosure with a coefficient of 0.0003036 at a significance level of 5%. This proves that the longer the term of office of the board of directors will affect the carrying out of risk disclosure. Therefore, hypothesis 1 which states that there is a positive effect of tenure of the board of directors on risk disclosure is supported at a significance level of 5%.

The results of the hypothesis 1 test prove that the length of the term of office of the board of directors efficiently and effectively will make the company achieve better risk disclosure. The characteristics of the board of directors tenure data shown by descriptive statistics on the board of directors tenure variable also explain these results. From the descriptive statistics on the tenure variable of the board of directors, it can be seen in [Table 2](#) that the average value is 4.123902, which means that the average length of tenure of the board of directors is quite good, which is 4 years. According to POJK No. 33/POJK.04/2014 concerning the Board of Directors and Board of Commissioners of Issuers or Public Companies in article 3 which states that the maximum term of office for directors is 5 years. The results of this study

support research conducted by Puspitosari (2019), Bravo and Reguera-Alvarado (2017), and Kim and Yang (2014) which state that the longer the term of office of a director, the more information they have, so the board of directors can make better decisions and carry out better disclosures.

### *Hypothesis Test Results 2*

Hypothesis 2 testing aims to examine the effect of the gender composition of female directors on risk disclosure. As shown in Table 7, testing Hypothesis 2 shows that there is no significant relationship between the gender composition of female directors and risk disclosure. This proves that the fewer female directors, the female board of directors does not have the opportunity and ability to disclose company risk information. Therefore, hypothesis 2 which states that there is a positive effect of the gender composition of the female board of directors on risk disclosure is not supported.

The results of the hypothesis 2 test prove that the gender composition of female directors on an efficient and effective board of directors cannot make companies achieve better risk disclosure. The characteristics of the data on the gender composition of female directors as shown by descriptive statistics on the gender composition of female directors also explain the results. From descriptive statistics on the gender composition of female directors, it can be seen in [Table 2](#) that the average value is 0.1779024 which indicates the low presence of women on the board of directors, which is only 17% compared to the number of male directors of 83%. The results of this study support the research conducted by Loukil and Yousfi (2016), Pradana and Khairusoalihin (2021), Yeo J and Suparman (2021), Lestari and Mutmainah (2020), Che-Adam et al (2019), and Farida (2019 ) which states that women tend to be afraid when making decisions and take risks than men. This makes the presence of female directors less visible to affect the level of information presented.

### *Hypothesis Test Results 3*

Hypothesis 3 testing aims to examine the effect of institutional ownership on risk disclosure. As shown in Table 7, testing Hypothesis 3 shows that there is a significant positive relationship between institutional ownership and risk disclosure with a coefficient of 0.1617347 at a significance level of 5%. This proves that large institutional ownership will encourage more attention to risk management in corporate decision-making so that there are no deviations in management and can manage risk appropriately. Therefore, hypothesis 3 which states that there is a positive effect of institutional ownership on risk disclosure is supported by a significance level of 5%.

The results of the hypothesis 3 test prove that institutional shareholders usually have more initiative to monitor the companies they own, unlike individual investors (Yeo & Suparman, 2021). The characteristics of institutional ownership data shown by descriptive statistics on institutional ownership variables also explain these results. From the descriptive statistics, the institutional ownership variable in [Table 2](#) has a large average value of 75.38 %. According to POJK No. 56/POJK.03/2016 concerning Share Ownership of Commercial Banks in article 2 states that the maximum limit of share ownership

in banks in the category of institutional shareholders is 70%, 40% for the category of shareholders in the form of legal entities of bank financial institutions and financial institutions non-bank, 30% for the category of shareholders in the form of legal entities, not financial institutions. The results of this study support research that has been carried out by Aditya (2015), Setyawan (2019), Rifani and Astuti (2019), Hardana and Syafruddin (2019), Juwita and Jurnal (2020), Salem H et al (2019), Saidah and Handayani. (2014), and Yeo J and Suparman (2021) state that institutional ownership can reduce agency conflict because in the company's activities the management will be supervised or controlled by the institution, thereby minimizing fraud in management where institutional ownership can generally act as a monitoring party company.

### **CONCLUSIONS AND RECOMMENDATIONS**

This study succeeded in proving that board tenure and institutional ownership have a positive effect on risk disclosure. In addition, the gender composition of female directors does not affect risk disclosure. This study still has limitations so suggestions for further research can add more characteristics of the board of directors. Because this research is not able to prove the positive influence of the characteristics of the board of directors at commercial banks in Indonesia. With the other characteristics of the board of directors, it is expected to be able to help improve the quality of information disclosure and strengthen institutional ownership in influencing risk disclosure. Future studies can also add control variables to control the effect of institutional ownership on risk disclosure. As well as being able to add moderating variables to strengthen the effect of institutional ownership on the board of directors on risk disclosure.

### **FURTHER STUDY**

The disclosure of financial cases of large companies that caused a financial crisis has made accounting reporting standards in the world increasingly developed. The case experienced by customers of Bank Negara Indonesia (BNI) 46 Ambon Main Branch valued at Rp. 58.9 billion in 2019. In the case of the burglary of customer money, the perpetrators involved came from internal bank parties. So the management should be part of the implementation of supervision. This case is caused by the low level of banking risk control at the regional branch office level, risk management in banking is still very minimal and security supervision is only focused on the loan and landing side, while the theft of funds occurs from the funding side.

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