Analysis of Factors Affecting Risk Management Disclosure (Empirical Study on Food and Beverage Sub-Sector Manufacturing Companies on the Indonesia Stock Exchange Periode 2017-2020)

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Abstract: *Risk management disclosure is very important in decision making for both companies and investors. The risks faced by companies in running their business need to be managed through risk management, so that risk disclosure plays an important role. This study aims to analyze the factors that influence risk management disclosure in food and beverage sub-sector manufacturing companies listed on the Indonesian stock exchange in 2017-2020. The sampling method used was purposive sampling. The analysis technique used is panel data regression analysis. The number of samples used in the study were 19 companies. The results of this research show that Leverage, Profitability, and Company Size simultaneously affectrisk management disclosure. Partially, Leverage has no effect on risk management disclosure. While Profitability and Company Size have an effect on risk management disclosure.*

INTRODUCTION

Disclosure of risk management is information conveyed by the company about the risks faced and how the company manages them through risk management (Kencana & Lastanti, 2018). Disclosure of risk management is an important company report to report. The disclosure is in the form of a risk management disclosure report contained in the annual report (annual report) which is accounted for by the board of directors and before the General Meeting of Shareholders (GMS). Through this risk disclosure, stakeholders can find out information on the company's risk profile and how the company manages it, so that this disclosure has an important role for both companies and investors in making decisions.

Based on previous research, it was found that risk management disclosure is also influenced by several factors, one of which is leverage, profitability, and company size of a company. Leverage is the ratio used to measure the extent to which a company's assets are financed with debt, where the size of the debt is used to finance the company's business activities (Kasmir, 2017). Profitability is a ratio to assess a company's ability to seek profit or profit in a certain period (Kasmir, 2019, p. 144). Meanwhile, company size is the size of the scale used to classify company size in various ways, including total assets, total sales, market value of shares, and so on.

In Indonesia, the Financial Services Authority issued regulations regarding the implementation of risk management in 2015. POJK Number 1/POJK.05/2015 concerning Implementation of Risk Management for Non-Bank Financial Services Institutions states that non-bank financial service institutions which include manufacturing companies in the Food and Beverage Sub-Sector are required to implement risk management effectively. However, this is still lacking because there are still several cases of risk management in Indonesia. The occurrence of risk management cases increasingly supports the importance of the role of risk management in managing the risk of a company. Therefore, researchers feel that research on risk management disclosure is still relevant for research.

Many studies have been conducted on risk management disclosure, but inconsistencies were found in previous studies. This research was conducted to measure the effect of leverage, profitability, company size on risk management disclosure, because previous studies still had inconsistent results, so research was carried out related to these variables. Therefore, the author raises the title "Analysis of Factors Influencing Risk Management Disclosure (Empirical Study of Manufacturing Companies in the Food and Beverage Sub-Sector Listed on the Indonesia Stock Exchange in 2017-2020)".

LITERATURE REVIEW

Risk Management Disclosure

Mokhtar and Mellett (2013) argue that risk disclosure is information issued by the company so that it can be used to find out every opportunity, threat, hazard or loss that will impact or have had an impact on the company. Based on research by Linsley and Shrives (2006) developed and used by Achmad et al. (2017) there are 37 items of corporate risk disclosure, Risk Management Disclosures can be calculated by:

$$RMD = \frac{\text{the amount of risk disclosure}}{\text{total risk disclosure items}}$$

Leverage

Leverage is an important tool for a financial manager in planning company profits and determining the best alternative sources of funding to increase the company's business capital in line with the company's expected or budgeted growth for the coming years. Companies that have a high level of leverage then have a large financial risk. The leverage ratio used in this study is the debt to equity ratio (DER). According to (Hery, 2018) the debt to equity ratio is the ratio used to measure a company's ability to pay all of its obligations using the capital owned by the company. Calculations used in this study:

$$Debt\ to\ Equity\ Ratio = \frac{\text{Total Liabilities}}{\text{Total Equity}}$$

Profitability

Profitability is a measure of a company's ability to generate profit by carrying out sales activities, using assets, and using its capital (Hery, 2020). Calculations used in this study:

$$Return\ on\ Aset = \frac{\text{Net Profit}}{\text{Total Asset}}$$

Company Size

Company size is the size of the scale used to classify company size in various ways, including total assets, total sales, market value of shares, and so on. The larger the size of the company, the more information available to investors in making decisions so that they will be more careful in presenting financial reports(Mais & Nuari, 2017). One measuring tool used to classify company size is total assets. According to (Arum, Nazar, & Aminah, 2017) total assets reflect the size of the company.

Company Size = Ln Total Assets

The Effect of leverage on risk management disclosure

Companies with higher leverage ratios (debt/equity) will disclose more risk information. This is done to dispel shareholders' doubts about the fulfillment of their rights as investors. Investors require corporate risk management disclosures as information to evaluate their investments. According to (Sarwono et al, 2018) states that the level of leverage has a positive influence on risk management disclosure.
H1: Leverage has an effect on risk management disclosure.

The Effect of profitability on risk management disclosure

Profitability can be interpreted as the company's ability to generate profits. The level of profitability can show how well the management of the company is managed, therefore the higher the profitability of a company, the wider the risk management disclosure tends to be. Previous research by Kumalasari and Subowo (2014) found that profitability affects risk management disclosures.
H2: Profitability has an effect on risk management disclosure.

The Effect of company size on risk management disclosure

Company size is defined as a measure expressed in total assets, sales and market capitalization to classify the size of a company (Ratnawati in Sarwono et al., 2018). The bigger the industry, the more investors who invest in the company. This has an impact on the wider disclosure of company risk management, the information provided will be more accurate and complete, as well as the form of management accountability to investors. According to Syafitri et al. (2016) found that company size has an effect on risk management disclosure.
H3: Company size has an effect on risk management disclosure.

METHOD

This research uses quantitative methods. The population used in this study are food and beverage sub-sector manufacturing companies listed on the IDX for the 2017-2020 period. This study uses panel data regression analysis, because panel data regression has the advantage of being able to obtain complete data so as to avoid high error rates. Sampling in this study used a purposive sampling technique according to the research objectives and based on predetermined criteria so that a sample of 19 companies was obtained with an observation period of 4 years so that 76 data were obtained (19 companies x 4 years). The criteria for determining the sample used are as follows:

1. Company the food and beverage subsector listed on the Indonesia Stock Exchange for the 2017-2020 period.
2. Companyt he food and beverage subsector which did not report an annual report consistently for the period 2017-2020.

Data analysis method

The analytical method in this study used panel data regression analysis using Eviews 12 software. The panel data regression model estimation method was carried out using three approaches, namely the Common Effect Model (CEM), Fixed Effect Model (FEM) and Random Effect Model (REM).

$$RD = \alpha + X1DER + X2ROA + X3SIZE + \varepsilon$$

Information:

RMD	=Risk Management Disclosure
α	=Constant
X1, ..., X3	=The regression coefficient of each independent variable
DER	=*leverage*
ROA	=Profitability
SIZE	=Company Size
e	=*Term error*

RESULT AND DISCUSSION

Descriptive Statistical Analysis

Based on table 2 shows that the results of the overall descriptive statistical analysis test on the companyThe Food and Beverage Sub Sector listed on the Indonesia Stock Exchange in 2017-2020. The ratio scale variables used in this study are leverage, profitability, and company size which will explain the minimum value, maximum value, average (mean), and standard deviation.

Table 2. Ratio Scale Descriptive Statistical Analysis

Information	Lev	PROFIT	SIZE	RMD
Means	1.06523	0.21739	28.60652	0.17568
Minimum	-2.12734	-0.17196	22.64107	0.00000
Maximum	11.35041	8.30236	32.72561	0.27027
Standard Deviation	1.58891	0.96133	1.73438	0.05213
Observations	76	76	76	76

Source: Data processed by the author (2022)

From the data in Table 2. Descriptive Statistical Test Results, it can be seen that the leverage and profitability variables have a mean value below the standard deviation, which means that the data are not grouped or varied. Meanwhile, the variable company size and risk management disclosure has a mean value above the standard deviation, so it can be interpreted that the data is grouped or does not vary.

Panel Data Regression Analysis

Based on the results of testing the three models that have been carried out (Chow Test, Hausman Test and Large Multiplier), the random effect model is the right model for this study:

Table 3. Random Effect Model Test Results

Dependent Variable: Y
Method: Panel EGLS (Cross-section random effects)
Date: 12/17/22 Time: 13:36
Sample: 2017 2020
Periods included: 4
Cross-sections included: 19
Total panel (balanced) observations: 76
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.293642	0.143533	-2.045814	0.0444
X1	0.002130	0.001884	1.130378	0.2621
X2	0.012553	0.003423	3.667176	0.0005
X3	0.016231	0.004988	3.253775	0.0017

Effects Specification

	S.D.	Rho
Cross-section random	0.039188	0.8362
Idiosyncratic random	0.017346	0.1638

Weighted Statistics

R-squared	0.166405	Mean dependent var	0.037962
Adjusted R-squared	0.131672	S.D. dependent var	0.019070
S.E. of regression	0.017770	Sum squared resid	0.022735
F-statistic	4.790960	Durbin-Watson stat	1.509694
Prob(F-statistic)	0.004236		

*Source:*Processed data Eviews 12 (2022)

The Effect of leverage on risk management disclosure

The first hypothesis in this study states that leverage has no effect on corporate risk management disclosures. The significance value of leverage after the t test was carried out, the result was 0.2621 which was greater than the significance level $\alpha = 0.05$. So the results show that H0 is accepted and leverage is proven to have no effect on corporate risk management disclosures.

This shows that an increase or decrease in the leverage ratio does not affect risk management disclosures. A high leverage ratio indicates that the company is more dependent on external parties (creditors), so the company can face a greater risk of difficulty in paying its debts and interest. In this case, companies tend to reduce risk management disclosures. This is because high leverage can make investors hesitate to make investment decisions for the company. The results of this study are in line with research conducted by Zakiyah and Gunawan (2017) which states that leverage has no effect on risk management disclosure.

The Effect of profitability on risk management disclosure

The second hypothesis in this study states that profitability has an effect on corporate risk management disclosures. The significance value of profitability after the t-test is carried out, the result is 0.0005, which is smaller than the significance level $\alpha = 0.05$. So from these results indicate that H1 is accepted and profitability is proven to have an effect on company risk management disclosures.

This indicates that an increase or decrease in profitability can affect risk management disclosures. The company's ability to generate profits is one proof of management's success in managing company resources and risks. The results of this study indicate that the higher the profit level of a company, the higher will be consistent with the level of disclosure of risk management carried out by the company. The results of this study are in line with research conducted by Kumalasari and Subowo (2014) which states that profitability influences risk management disclosure.

The Effect of company size onrisk management disclosure

The third hypothesis in this study states that company size has an effect on corporate risk management disclosures. The significance value of firm size from the t test results is 0.0017 which is smaller than the significance level $\alpha = 0.05$. These results indicate that H3 is accepted and firm size has proven to have an effect on corporate risk management disclosures.

This shows that the size of the company is able to control and control the management. The larger the company in terms of total assets, the greater the need for risk management disclosures. Larger companies allow for more agency problems. Larger companies have more complex systems and problems. Therefore, one of the effective ways used to overcome these problems is through the application of risk management disclosures. The results of this study are in line with research conducted by Sinaga, Nazar & Muslih (2018) which states that company size influences risk management disclosure.

CONCLUSION

The conclusion of this study is that from the results of descriptive statistical analysis it can be concluded that the leverage and profitability of manufacturing companies in the food and beverage subsector that are listed on the IDX for the 2017-2020 period can be said to be poor because the majority of the mean values are below the standard deviation value. Meanwhile, company size in the food and beverage sub-sector manufacturing companies listed on the IDX for the 2017-2020 period can be said to be good because the mean value is above the standard deviation value which indicates that the sample companies can represent the population. Based on the panel data regression analysis, it shows that leverage, profitability and company size simultaneously influence risk management disclosure (RMD). In addition, Leverage has no effect on risk management disclosure. While Profitability and Company Size have an effect on risk management disclosure.

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