



The Effect Of Company Sizes, Profitability, Liquidity, And Size Of The Board Of Commissioners On The Disclosure Of Risk Management In Mining Companies Listed In The Indonesian Stock Exchange In The Year 2016-2018

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Abstract

The purpose of this study is to examine the effect of company size, profitability, liquidity, and size of the board of commissioners, together on disclosure of risk management in mining companies listed on the IDX periode in 2016-2018. To examine the effect of firm size on risk management disclosures on mining companies listed on the Indonesia Stock Exchange in 2016-2018. To test the effect of profitability on risk management disclosures at mining companies listed on the Indonesia Stock Exchange in 2016-2018. To test the effect of liquidity on risk management disclosures on mining companies listed on the Indonesia Stock Exchange in 2016-2018 which were processed by the SPSS program (Statistical Package For Social Science) 22. The results of the study showed that the Company's size, Profitability, Liquidity and Board Size had a positive effect towards Risk Management Disclosures in Mining Companies listed on the Indonesia Stock Exchange for the period of 2016-2018.

Keywords: Company size; profitability; liquidity; board size; risk management disclosure.

1. Introduction

The dynamics of a complex business environment as it is today results in an increasingly competitive business environment that requires companies to be better at managing risks (Adam et al., 2014). Risk management is very important to note because failure in implementing risk management has caused large losses and even resulted in bankruptcy.

Risk is an event that has an impact on the company both operationally and financially which has the potential for loss. The global financial crisis that occurred in 2008 in the United States has had a negative impact on the business world (Sulistyaningsih and Gunawan, 2016). The negative effects of the Subprime Mortgage crisis have also plagued the business climate in Indonesia, where in 2013 the Rupiah fell as a result of foreign portfolio investment from Indonesia. That, indicates that the importance of implementing risk management for business people (Sulistyaningsih and Gunawan, 2016).

Corporate risk management is a corporate strategy carried out to manage and evaluate risks in an integrated manner (Obalola et al., 2014). The concept of enterprise risk management is basically used to integrate all types of company risks. Due to the lack of information about the implementation of risk management by stakeholders, the disclosure of risk management needs to be done.

The Decision of the Chairman of Bapepam LK Number Kep-431 / BL / 2012 requires the submission of Annual Reports for Issuers or Companies that are registered in the Capital Market, where one of the things that was revealed was the application of a risk management system as a concept of corporate governance the good one. Implementation of risk management for companies in Indonesia over time continues to be refined.

2. Literature Review

2.1. Risk Management Disclosures

risk management can be interpreted as a process as a result of the application of strategic arrangements throughout the company by each level of the company's organization planned to identify potential events that are thought to have an impact on company and managing risk to ensure achievement of the objectives of the entity (Agista and Mimba, 2017).

The risk management applied by each company is generally different from each other, even though these companies are in similar industries where it is possible to face unequal risks. This is because different management has a management strategy, tolerance to risks, and different objectives, so it is important for investors to pay more attention to the key business risks and how each risk is managed by the company.

2.2. Profitability

Profitability is an indicator of a manager's success in achieving company goals. Profitability describes the return ratio that can be obtained by the company at the level of sales, assets, or share capital (Maharani and Suardana, 2014). The level of profitability is one of the main benchmarks of the company's progress.

2.3. Liquidity

Liquidity can be interpreted as the company's ability to finance its short-term debt (Adam et al., 2014). The level of liquidity shows the ratio of current assets to the company's short-term debt. The level of liquidity is a benchmark for a company's ability to finance its short-term obligations.

Based on the statement above, liquidity can be an indication for companies in expanding company risk management disclosures. This is so that the company can provide reliable and relevant information to stakeholders.

2.4. Signalling Theory

Disclosure of information about risk adequately to the owner, this is a good news for the company. The good news provides information to the owner that the company has carried out risk management well (Agista and Mimba, 2017). Conversely, if the manager does not disclose information about the risk inadequately, then it will become a bad signal for the company. This gives a perception that the company does not carry out risk management properly. Signal theory is a theory that is closely related to disclosure of company risk management because it conveys a special signal to users of financial information.

3. Research Method

3.1. Population and research sample

The population in this study were all mining sector companies listed on the Stock Exchange during the period 2016-2018. This population was chosen because mining companies have operating activities that are very vulnerable to risk in various aspects.

3.2. Data Analysis Equipment

In this study the analysis of the data obtained will be processed using processed using SPSS 22 program assistance. This analysis aims to see the effect of variable firm size, profitability, liquidity, and the size of the board of commissioners on risk management disclosures in the Indonesia Stock Exchange in 2016 -2018 .

After each variable is measured, it will be tested for each hypothesis specified in this study. To determine whether the hypothesis is accepted or rejected, it is necessary to do statistical testing.

4. FINDING AND DISCUSSION

4.1. The Effect of Company Size, Profitability, Liquidity, and Size of the Board of Commissioners on Corporate Risk Management Disclosures

Company Size, Profitability, Liquidity and Board of Commissioners variables together have a probability value of 0,000 below the significance value of 0.05 (5%). This shows that Company Size, Profitability, Liquidity, and Board

of Commissioners Size have a significant influence on risk management disclosure in mining companies listed on the Stock Exchange during 2016-2018

4.2. The Effect of Company Size (Size) on Corporate Risk Management Disclosures (RMD)

Company Size Variables have a probability value of 0,000 below the significance value of 0.05 (5%). This shows that Company Size has a significant influence on risk management disclosures in mining companies listed on the Stock Exchange during 2016-2018.

4.3. The Effect of Profitability on Corporate Risk Management Disclosures (CRMD)

Variable Liquidity has a probability value of 0.583 which is above the significance value of 0.05 (5%). This shows that liquidity has a non-significant effect on risk management disclosure in mining companies listed on the Stock Exchange during 2016-2018.

4.4. The Effect of Liquidity on Corporate Risk Management Disclosures (CRMD)

Variable Liquidity has a probability value of 0.583 which is above the significance value of 0.05 (5%). This shows that liquidity has a non-significant effect on risk management disclosure in mining companies listed on the Stock Exchange during 2016-2018.

4. Conclusion

All variabel at this research, simultan or partially have a significant effect on risk management disclosures in mining companies listed on the IDX in 2016-2018.

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