THE EFFECT OF CORPORATE GOVERNANCE ON THE PRACTICE OF OPERATIONAL RISK DISCLOSURE IN INDONESIAN BANK

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Abstract

This research aims to see the effect of corporate governance on operational risk disclosure. Corporate governance is implemented by institutional ownership, managerial ownership, board size, proportion of independent commissioners, proportion of female commissioners, number of audit committee meetings. Operational risk disclosures based on Bank Indonesian Regulation No. 11/25/PBI/2009 are mandatory disclosures. Measurement of the dependent variable based on the Lampiran Surat Edaran Bank Indonesia No. 11/3/DPNP/2009 and Circular Letter Attachments of Bank Indonesian No.13/23/DPNP/2011. The results of research show that corporate governance influences disclosure of operational risk through managerial ownership, board size, proportion of independent commissioners, and proportion of female commissioners. The number of audit committee meetings and institutional ownership has no effect on disclosure of operational risk disclosure.

Keywords: Operational risk disclosure, Corporate Governance, Indonesian banking company

Introduction

This study aims to examine the effect of corporate governance on the practice of disclosing operational risk in banking companies in Indonesia. The disclosure of banking risk studied was operational risk disclosure, while the corporate governance mechanism represented the ownership structure consisting of institutional ownership, managerial ownership, the proportion of members of the independent board of commissioners, size of the board of commissioners, and the number of meetings of the audit committee members.

According to Bank Indonesia Regulation Number 11/25/2009 concerning disclosure of banking risk, risk is defined as a potential event consisting of predictable risks and unexpected risks that have a negative impact on investment activities and bank opinions. With the existence of the basis of PSAK 60 Revision 2014 and Bank Indonesia Regulation Number 11/25 / PBI / 2009 concerning Risk Management for Commercial Banks, risk is classified as mandatory disclosure. Banking risk according to PBI Number 11/25/2009 consists of 8 types, namely (1) market risk, (2) liquidity risk, (3) market risk, (4) legal risk, (5) operational risk, (6) reputation risk, (7) strategic risk, and (8) compliance risk. The focus in this research is operational risk. According to PBI Number 11/25 / PBI / 2009 operational risk is defined as risk that arises due to inadequate or inadequate internal process functions, human error (human error), system failure, and/or external events that affect bank operations.

In Indonesia itself, there are often problems related to banking which make the image of Indonesian banking in the eyes of the public become bad. These problems such as the case of Century Bank in 2008, skimming CIMB Niaga in 2014, skimming Permata bank in 2015 and fraud in reporting by BPRs in 2016 (http://www.cnnindonesia.com, 2018). Financial Service Authority (OJK) of Indonesia acknowledgment in 2019 OJK found 26 banking cases that were indicated as fraud (detikfinance.com, 2019). This shows that banks in Indonesia still often experience problems regarding their operational risk management.

In 2006, it was recorded that Indonesian banks in making disclosures were ranked 55 out of 177 researched by the World Bank (World Bank, 2006). Meanwhile, according to Meilani and Wiyadi (2017), the level of disclosure of corporate risk including the banking sector in Indonesia which is listed in the Morgan Stanley Capital International (MSCI) Indonesia index is still 59.3%. In addition, according to Rahmawati and Suhardjanto (2011) the level of disclosure of banking operational risk in Indonesia is still 76.27%. This shows that the disclosure of banking risk in Indonesia has not been maximized because as a mandatory disclosure it should have a maximum disclosure level of 100%. Disclosure of banking risk in Indonesia has not been maximized because the function of corporate governance has not been properly implemented, including ensuring that banking strategies have been implemented properly, monitoring management, and requiring accountability (Rahmawati and Suhardjanto (2011). So that the role of corporate governance in implementing risk disclosure very much needed for the implementation of accountability in the company.

Previous research on the same problem was conducted by Orscoot (2009) examining banking in Germany. Helbock and Wagner (2006) studied banking in North America, Europe, and Asia. Dewi, Meivitasari, Rahmawati and Suhardjanto (2011) examined the disclosure of banking risks in Indonesia. Rahmawati (2011) examined banking operational risks in Indonesia before Basel II was fully implemented and Kusumastuti et al (2015) on operational risk disclosure and banking corporate governance in Indonesia.

Literature Review

Agency Theory

This study uses agency theory as a reference in examining the effect of corporate governance in a mechanism on operational risk disclosure practices. Agency theory according to Jensen and Meckling (1976) is a contract under one or more involving agents to carry out several services for them by delegating decision-making authority to agents.

Operational risk

According to Bank Indonesia PBI Regulation Number 11/25 / PBI / 2009 concerning risk management for commercial banks, risk disclosure is defined as a series of processes consisting of procedures to identify, measure, supervise and control risk activities arising from bank activities. Disclosure of banking risk in Indonesia is regulated in PBI Number 11/25 / PBI / 2009 concerning risk management and Bank Indonesia Circular Letter Number 13/23 / DPNP / 2011 disclosure of banking risk management. In addition to that, other regulations that require banks to disclose their risks are PSAK No. 60 (Revised 2014) Financial Instruments: Disclosure and

Presentation. Therefore, disclosure of banking risk in Indonesia is mandatory. According to PBI Number: 11/25 / PBI / 2009 and Attachment to Bank Indonesia Circular Letter No.13 / 23 / DPNP / 2011, banks are required to implement risk management effectively. Disclosure of risk management is minimal, there is active supervision by the board of commissioners, adequacy of risk management policies, procedures, and risk management limits, adequacy of processes for identification, measurement, monitoring and risk control as well as risk management and information systems as well as comprehensive internal control systems

Meanwhile, the guidelines for disclosure of quantitative adoption from Basel II are fully applicable in accordance with Bank Indonesia Circular Letter No. 11/3 / DPNP / 2009 concerning the calculation of RWA in disclosing company operational risks. This circular letter requires banks to disclose the calculation of RWA in disclosing operational risk in accordance with PBI number 10/15 / PBI / 2008 concerning the Minimum Capital Adequacy Requirement for commercial banks using the indicator

a. Basic Indicator Approach / BIA

b. Standardized Indicator Apporoach / SIA

c. A more complex approach (Advance Indicator Approach) / AIP

Corporate governance

Corporate governance is corporate governance that regulates the relationship between company managers and creditors, government employees and shareholders (FCGI, 2001). In its implementation, corporate governance practices must include 5 principles, namely responsibility, accountability, transparency, fairness, independence.

The explanation of corporate governance is in line with Raka (2001) which states that corporate governance is an open system consisting of structures, mechanisms and principles. In running a company, good corporate governance is needed so that the company continues to survive in carrying out its activities so that in its implementation, a mechanism or rules of the game must be applied to carry out a structure that has been formed.

According to the FCGI (2001), Indonesia adopted a corporate governance system implemented by the Netherlands, namely a two tier system, therefore the relationship between corporate governance structures and mechanisms can be explained using the following figure:

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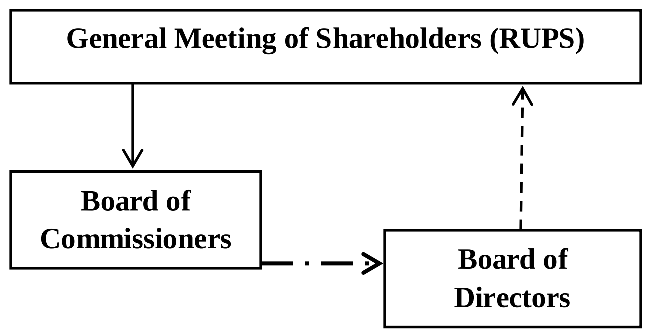
Figure 1. Structure and mechanisms of corporate governance that have been adopted by Indonesia



Supervisory mechanism by the board of commissioners

The mechanism for the appointment of the board of commissioners and directors

Performance accountability mechanism

Source: FCGI 2001

According to law number 40 of 2007 concerning Limited Liability Companies, it implies that Indonesia adheres to a twotier system in the corporate governance structure. From this chart, it can be explained that the GMS appoints and dismisses members of the Board of Commissioners and Directors so that members of the Board of Commissioners and Directors are responsible for the GMS as shareholders of the company. The GMS in this case has a mechanism to appoint and terminate the membership of the Board of Commissioners and Directors. The board of commissioners in the corporate governance structure has a supervisory mechanism on the performance of the board of directors, while the board of directors as the managing manager is responsible for their work to the shareholders through the GMS and the board of commissioners as the supervisor.

The effect of Institutional ownership on disclosure of operational risk

The level of institutional ownership can reduce agency problems because they are the majority shareholder in a company and they have expertise and experience in various companies (Abraham and Cox, 2007). According to Haryono (2005), the higher the institutional ownership, the more positive influence it will have on company performance. From the above explanation, the following hypothesis can be developed

H1: The effect of institutional ownership has a positive effect on operational risk disclosure.

Effect of managerial ownership on disclosure of operational risk

Managerial ownership is ownership of shares by company managers. In this study, managers are defined as the company's directors. According to Htay (2011), management ownership will trigger management performance and will affect the extent of disclosure because good risk disclosure management will increase share prices and company reputation which will bring many benefits to management as shareholders. Based on the description above, a hypothesis can be developed:

H2: Managerial ownership has a negative effect on the company's operational risk disclosure.

The effect of the proportion of independent commissioners on operational risk disclosure

The board of commissioners as the top of the company's internal control system has a very important role in supervisory activities (Siallagan and Machfoedz, 2006). Independent commissioners can improve the reputation associated with more effective internal control so that it will have a significant effect on compliance with company information disclosure (Abeysekera, 2008). Based on the explanation above, a hypothesis can be developed:

H3: The proportion of independent commissioners has a positive effect on the level of operational risk disclosure.

The effect of the proportion of female commissioners on disclosure of operational risk

The attitude of prudence and precision tends to be owned by women more than men (Kusumastuti, Supatmi, and Sastra (2007). Vafeas (2003) research shows that the results of the existence of female commissioners have a positive effect on firm performance. The proportion of female commissioners has a positive effect on company performance. , including operational risk disclosure practices Based on the explanation above, a hypothesis can be developed

H4: The proportion of female commissioners has a positive effect on operational risk disclosure.

The effect of the size of the board of commissioners on operational risk disclosure

The board of commissioners is in charge of supervising management in carrying out company activities (FCGI, 2001). The size of the board of commissioners members has a positive influence on risk disclosure practices (Dewi et al, 2011). The large number of commissioners is expected to be able to increase the responsibility for supervisory performance so that the quality of information increases. From these questions, a hypothesis can be developed.

H5: The size of the board of commissioners has a positive effect on operational risk disclosure.

The effect of the number of audit committee meetings on operational risk disclosures

The number of audit committee meetings has a positive effect on disclosure (Li, Pike and Haniffa, 2008). The adit committee has a supervisory function over company operations including its relationship with company performance (Cety and Suhardjanto, 2010).

According to Dewi et al (2011), the number of audit meetings has a significant positive effect on banking risk disclosure. According to PBI number 8/4 / PBI / 2006 concerning banking corporate governance, the audit committee meets at least 3 to 4 times a year. Based on the explanation above, a hypothesis can be developed

H6: The number of audit committee meetings has a positive effect on the level of operational risk disclosure.

RESEARCH METHODOLOGY

The testing method is hypothesis testing. According to Hartono (2005) hypothesis testing is a study that aims to test a predetermined hypothesis. The population of this study were all banking annual reports listed on the Indonesia Stock Exchange for the period 2017-2019. The total population is 129 banking annual reports for the 2017-2019 period. The sample selection technique used purposive sampling. The sample criteria specified are the annual report on the Indonesian Stock Exchange listing which was published during the 2017-2019 period and presents the data required for a complete research. The samples that fit the criteria were 111 samples.

Analysis technique

In testing the hypothesis, multiple linear regression analysis is used which includes a partial t test, coefficient of determination R2, and simultaneous F test. Prior to testing the hypothesis the research data had passed the classical assumption test consisting of the normality test, autocorrelation test, multicollinearity test, and heteroscedasticity test. This research uses statistical tools SPSS 23 for windows 32 bit. The multiple linear regression model used is as follows.

$$\mathrm{ORD} = \alpha + \beta_1 \mathrm{I\_OWNS} + \beta_2 \mathrm{M\_OWNS} + \beta_3 \mathrm{PROP\_INDCOM} + \beta_4 \mathrm{PROP\_FEMCOM} + \beta_5 \mathrm{S\_BOC} + \beta_6 \mathrm{A\_ACM} + \beta_7 \mathrm{PROF} + e$$

Tabel 1. Keterangan Regresi Linear Berganda

Simbol	Keterangan
ORD	Operational Risk Disclosure
I_OWNS	institutional ownership
M_OWNS	Managerial ownership
PROP_INDCOM	proportion of independent commissioners
PROP_FEMCOM	proportion of female commissioners
S_BOC	size of the board of commissioners
A_ACM	ammount of audit committee meetings
PROF	Profitability
A	Constanta
β	regression coefficient
e	Error

Dependent variable

Disclosure of operational risk is used as the dependent variable. To assess the level of operational risk disclosure a scoring technique is used which is in line with Helbock and Wagner

(2006) and Oorschot (2009). Therefore, the formula used to measure the level of operational risk disclosure is as follows:

$$\mathrm{ORD}_{\mathrm{BY}} = \frac{1}{\mathrm{MAX}_{\mathrm{BY}}} \sum_{i=1}^{n} \mathrm{SCORE}_{\mathrm{iBY}}$$

Independent Variable

a. Institutional ownership

One way to reduce agency problems is to add institutions as supervisors through the general meeting of shareholders because large institutional ownership is considered to improve the company's performance monitoring mechanism. In accordance with Wahyudi and Pawestri's (2006) research, institutional ownership structure is measured by the percentage of ordinary shares owned by all institutions to all outstanding shares.

$$\text{institutional ownership} = \frac{\sum \text{ownership of shares by institutions}}{\sum \text{outstanding shares}} \text{x } 100\%$$

b. Managerial ownership

Managerial ownership is defined as a manager who owns shares of the company, in other words, shareholders. In accordance with the research of Suranta and Machfoedz (2003), Tamba (2011), managerial ownership structure is measured according to the percentage of common shares owned by managerial shares of outstanding shares.

$$\text{Managerial ownership} = \frac{\sum \text{ownership of shares by manager}}{\sum \text{outstanding shares}} \text{x}100\%$$

c. Proportion of members of the board of independent commissioners

According to Herwidayatmo (2000) independent commissioners are members of the board of commissioners who are not affiliated with company management. Dewi et al (2011) is the percentage of independent commissioners of all members of the board of commissioners so that it can be formulated as follows.

$$\text{Proportion of members of the board of independent commissioners} = \frac{\sum \text{independent commissioner member}}{\sum \text{amount the board of commissioners}} \text{x}100\%$$

d. Proportion of female commissioners

The percentage proportion of female commissioners to the total number of commissioners. The indicator adopted in this study is the percentage of the number of female commissioners to all members of the company's board of commissioners (Marinova, Plantenga and Remery, 2010) and (Peterson and Philpot, 2009). Therefore, the following equation is obtained.

$$\text{proportion of female commissioners} = \frac{\sum \text{female commissioners}}{\sum \text{amount the board of commissioners}} \times 100\%$$

e. The size of the board of commissioners

The bigger the size of the board of commissioners, the more effective it is in conveying information in the annual report (Abeysekara, 2008). In accordance with Khomsiyah's (2003) research, the size of the board of commissioners can be formulated as follows:

amount members of the board of commissioners = $\sum \text{amount the board of commissioners}$

f. Amount of audit committee meetings

According to Indonesian Bank Regulations (PBI) Number 8/4 / PBI / 2006 concerning the Implementation of Corporate Governance for Commercial Banks in a year the audit committee meets at least 3 times. The indicator used is in line with Dewi (2011), namely the total meetings held by the audit committee in one (1) year.

$\sum$ audit committee meetings in one year

Control variable

According to Hartono (2005) control variables are used to control the relationship of variables in order to get an empirical model that is stronger and constant and not influenced by external factors. Return on equity (ROE) ratio in one year is used as an indicator of profitability in this study. According to Haniffa and Cooke (2009), taking ROE is because it can show the company's ability to get a return on shareholder investment which means ROE.

$$\text{ROE} = \frac{\text{Net profit after tax}}{\text{Shareholders' equity}}$$

RESULT AND DISCUSSION

Descriptive Statistics

Table 2 Descriptive Statistics

Variabel	N	Min	Max	Mean	Std. Deviation
ORD	111	50	100	77.79	15.83596
I_OWNS %	111	0	99.86	46.52	37.77957
M_OWNS%	111	0	15	.7514	2.73184
PROP_INDCOM %	111	25	100	55.91	12.97836
PROP_FEMCOM %	111	0	50	9.26	12.99217
S_BOD	111	2	11	5.05	1.97179
A_ACM	111	2	32	11.36	6.72840
PROF %	111	-106.6	47.63	2.79	17.82601
Valid N (listwise)	111				

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Table 1 shows the data studied (N) totaling 120. The dependent variable of this study is the disclosure of operational risk. The level of operational risk disclosure (ORD) has an average of 77.61%. The maximum value of ORD is 50% while the maximum value is 100%.

Table 3 Frequency of the dependent variable

Score	100.0	92.8	85.7	78.5	71.4	64.2	57.1	50.0	**Total**
Frequency	11	18	23	10	6	23	14	6	**111**

Table 1.2 shows the frequency of banks on the level of operational risk disclosure. The maximum value of 100% has a data frequency of 11 while the minimum value of 50% has a data frequency of 7.

Coefficient of Determination

The coefficient of determination is a value that shows how much the independent variable as a whole affects the independent variable. The coefficient of determination R^2 is used to measure the Goodness of Fit (Ghozali, 2006).

Table 4 Model Summary[b]

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.546a	0.298	0.250	13.71356

The R2 value from the table is 0.298 and the Adjusted R2 from the SPSS output is 0.250, meaning that the independent variable explains the dependent variable by 25%, the rest is influenced by external factors.

Simultaneous F Test

According to Ghozali (2006), the basis for drawing conclusions is the simultaneous F test if the significance coefficient is less than 0.05 and the value of F count> F table means that the independent variable has a significant effect on the dependent variable, but if the significance coefficient is more than 0.05 and the F value is calculated <from the F table so it can be concluded the independent variable does not have a significant effect on the dependent variable. From these data obtained F table of 2,100.

Tabel 5 ANOVA[a]

Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	8215.183	7	1173.598	6.240	.000b
	Residual	19370.36	103	188.062		
	Total	27585.55	110			

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Judging from the table, it shows that the significance coefficient is 0.000b and the F value is 6.240.The significance coefficient is smaller than 0.05, while the calculated F value is greater than the F table, so it can be concluded that the independent variable has a significant positive effect on the dependent variable.

Partial t test

According to Ghozali (2006) the conclusion from this partial t test is that if the significance coefficient is more than 0.05, it means that the variable does not have a significant effect on the dependent variable, but if the significance coefficient is less than 0.05, it means that the independent variable has a significant effect on the dependent variable. Drawing conclusions also takes into account the t-count and t-table values. If the t-count is greater than the t-table, it means that there is a significant effect, but if the t-count is smaller than the t-table, it does not have a significant effect.

Tabel 6 Coefficients[a]

Model		**T**	**Sig.**
1	(Constant)	9.437	0
	I_OWNS	-1.469	0.145
	M_OWNS	2.838	0.005
	PROP_INDCOM	-2.822	0.006
	PROP_FEMCOM	3.117	0.002
	S_BOD	2.781	0.006
	A_ACM	-1.323	0.189
	PROF	-2.696	0.008

a Dependent Variable: ORD

Of the 7 variables above that have a significant effect are 5 variables, namely the size of the board of commissioners, the proportion of the members of the independent commissioner board, the proportion of female commissioners, managerial ownership and profitability, while institutional ownership and the number of audit committee meetings have no effect on disclosure of operational risk in Indonesia.

The institutional ownership variable has a significance coefficient of 0.145 and has a t value of -1.469. This result means that institutional ownership of banks does not have a significant effect on disclosure of operational risk because it has a significance coefficient of more than 0.05 and the relationship between institutional ownership and disclosure of operational risk is negative.

Institutional ownership should have a significant positive effect on risk disclosure because according to Juniarti and Sentosa (2009) institutional ownership has a good impact in reducing agency conflicts because it can increase more supervision, but the results of this study show that

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institutional ownership has no effect on ORD, causing a hypothesis. institutional ownership has a positive effect on operational risk disclosure is rejected.

These results are different from Abraham and Cox (2007) but in line with Sari and Rani's (2015) research which states that the relationship between institutional ownership and company social disclosure is negative. According to Sari and Rani (2015), institutional ownership does not have a significant effect because institutional shareholders do not make disclosure activities the main focus, but the main focus is in the form of company profits which will have a direct influence on the returns that institutional shareholders will get from their investment activities. at the company. According to Djakman and Machmud (2008), institutional shareholders do not focus on corporate social responsibility disclosure activities, whether mandatory or not, because institutional shareholders do not consider social responsibility as a consideration in determining their investment.

Managerial ownership variable has a significance coefficient of 0.005 and t count of 2.838. From these results, it shows that managerial ownership has a positive effect on the disclosure of operational risk with a significance coefficient of less than 0.05 and a positive t value and t value greater than t table so it can be concluded that the second hypothesis is accepted. These results are in line with the research of Wahyudi and Pawestri (2006). These results indicate that the manager's ownership is capable of the operational risk disclosure value because the greater the number of ownership by the manager, the greater the level of operational risk disclosure.

The variable proportion of members of the board of independent commissioners shows a significance coefficient of 0.006 and a t value of-2,882, so it can be concluded that the proportion of members of the independent commissioner board has a negative significant effect on the variable operational risk disclosure because it has a significance coefficient of more than 0.05 and a negative t value is greater than t. table.

From these results, it shows that the hypothesis of the proportion of members of the Board of Independent Commissioners has a positive effect on disclosure of operational risk is rejected because the results of the partial t test show that the proportion of members of the board of independent commissioners has a significant negative effect on the disclosure of banking operational risk. This result indicates that the greater the proportion of members of the board of independent commissioners, the less the level of operational risk disclosure. This happens because in practice the independent commissioner has a function that is not true because it is influenced by several factors (Suhardjanto, 2008). This result is in line with Hassan (2009) which shows a negative relationship between the proportion of members of the board of independent commissioners and the value of bank operational risk disclosure.

The variable proportion of female commissioners members has a significance coefficient of 0.002 and a t-value of 3.117. This shows that the proportion of female commissioners has a significant positive effect on the disclosure of operational risk because it has a significance coefficient of less than 0.05 and a positive t-value is greater than the t-table value. This result shows that the greater the number of women in the composition of the board of commissioners, the greater too. disclosure of operational risk.

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Positive significant results are obtained because women have a high level of accuracy and caution compared to men (Kusumastuti, Supatmi and Sastra, 2007). According to Adam and Ferreira (2004), women are considered to be able to provide varied views and opinions in board governance practices so that it triggers many points of view to obtain maximum information.

Judging from the research results indicate that the hypothesis of the proportion of female commissioners has a positive effect on the operational risk disclosure is accepted. This is in line with Amran and Hassan (2009) who show that the presence of female commissioners has a positive effect on company performance. Dewi et. al (2011) also showed that female commissioners had a positive influence on financial risk disclosure practices.

The variable size of the members of the board of commissioners has a significance coefficient of 0.006 and a t-value of 2.781 which indicates that the size of the board of commissioners has a positive effect on disclosure of operational risk, has a significance coefficient of less than 0.05 and a positive t value is greater than t table. According to PBI No. 8/14 / PBI / 2006 concerning banking corporate governance in Indonesia, the board of commissioners has an important role as a supervisor and has great responsibility for reporting information submitted in the annual report.

The results of the partial t test indicate that the hypothesis that the size of the board of commissioners has a positive effect on the disclosure of banking operational risk is accepted. This result is in line with the research of Sembiring (2005) which shows that the size of the board of commissioners has an influence on the level of corporate social disclosure. In addition, Rahmawati (2011) also shows the level of operational risk disclosure is directly proportional to the frequency of members of the board of commissioners.

The variable number of audit committee meetings has a significance coefficient of 0.189 and a t value of -1.323. From these results, it shows that the frequency of audit committee meetings has a significant effect on the disclosure of operational risk because it has a significance coefficient greater than 0.05. These results state that the number of audit committee meetings will not have an effect on risk disclosure, therefore the hypothesis of the number of audit committee meetings has a positive significant effect on disclosure of operational risk is rejected.

According to Menon and William (1994) the number of audit committee meetings does not provide evidence of information about the results obtained during these meetings or about the effectiveness of the audit committee in achieving the integrity of the company's financial reporting. This is in line with Dewi's (2011) research which states that the number of meetings held by the audit committee has no effect on financial risk disclosure.

The results of the profitability control variable using return on equity (ROE) show a significance coefficient of 0.008 and t count of -2.696. The table shows a significance coefficient of less than 0.05, so these results indicate that profitability has a significant negative effect on risk disclosure practices.

These results mean that the profitability hypothesis has a positive effect on operational risk disclosure is rejected. This result means that the greater the profitability of the company will have an effect on decreasing the level of risk disclosure, this is because when the company has a large profitability, the company considers that carrying out things that would interfere with success does not need to be maximally implemented (Donovan and Gibson, 2000).

These results are in line with research by Helbock and Wagner (2009) which shows that higher profitability in companies results in lower levels of information disclosed, whereas banks with low profitability levels tend to increase the delivery of information disclosed.

CONCLUSIONS AND SUGGESTIONS

Conclusion

The level of risk disclosure in Indonesia as mandatory disclosure in Indonesia is still insufficient because it is only 77.79% which should be absolutely 100%. As a mandatory disclosure according to PBI No. 11/25 / PBI / 2009 should the corporate governance mechanism be properly implemented in order to produce a satisfactory operational risk disclosure value. It is necessary to evaluate the performance of corporate governance so that disclosure of operational risk can reach a value of 100%.

From testing the hypothesis using multiple regression analysis shows that corporate governance has a positive influence on the level of risk in banking operations. The independent variable that has a significant effect is the size of the board of commissioners, then the proportion of members of the board of independent commissioners and the proportion of female commissioners as well as managerial ownership. The role of the board of commissioners is very large in the implementation of corporate governance as a supervisory mechanism in implementing banking risk disclosure practices, the commissioner has a role as the core of corporate governance so that it must be maximized in implementing corporate governance. In addition, managerial ownership has a positive influence on the practice of disclosing operational risk because managers will work harder to increase disclosure of operational risk which will ultimately affect the price of shares held.

Suggestion

The board of commissioners as the supervisory mechanism and the board of directors as the implementing mechanism must increase its role in corporate governance so that it is expected to be able to maximize banking risk disclosure practices in Indonesia.

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