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COMPANY CHARACTERISTICS AND ENTERPRISE RISK MANAGEMENT DISCLOSURE: EMPIRICAL STUDY ON INDONESIA LISTED COMPANIES

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Abstract: *This research aims to obtain the empirical evidence about the effect of company's characteristics to the enterprise risk management disclosure in the annual report of banking companies. The population in this research are all banking companies listed on Indonesian Stock Exchange during period 2010-2013. Total sample is 25 banking companies in four years observation time. So, total sample that is examined are 100 samples. Statistic method that is used to examine the hypothesis is multiple regression.*

The results of this research are found that simultaneously, independent variables are the companies' characteristics that consists of company size, leverage, management ownership, public ownership, profitability, liquidity and type of auditor have a significant effect to enterprise risk management disclosure. Whereas partially, company size, management ownership and type of auditorhas positive and significant effect to the enterprise risk management disclosure. While public ownership has a negative and significant effect to enterprise risk management disclosure and leverage, profitability and liquidity has insignificant effect to the enterprise risk management disclosure.

Key words: *Company Size, Enterprise Risk Management, Enterprise Risk Management Disclosure, Leverage, Liquidity, Management Ownership, Profitability, Public Ownership, Type of Auditor*

I. INTRODUCTION

Background

In the beginning of 2015, Indonesia will face Asean Economic Community (AEC) which is an integration of the countries in Southeast Asia that aims to minimize the gap between the ASEAN countries in terms of economic growth. Some things become the focus of AEC in 2015, one of them is AEC will be established as an economic region with a high level of competition (Baskoro, 2012). In the other words that all the bussiness entities in ASEAN countries, as an activator of economic activities, need something interested to be the good one to get advantages through this AEC.

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One of the advantages AEC is creating a condition that supports the entry of Foreign Direct Investment (FDI) which can stimulate economic growth through technology development, job creation, human resource development (human capital) and easier access to world markets (Baskoro, 2012). So, in order to get public confidence to invest, bussiness entities must have good corporate governance (GCG). GCG is a concept based on agency theory and is expected to serve as a tool to provide confidence to investors that they would receive a return on the funds that they have invested (Putri, 2013). According to Asian Corporate Governance Association (ACGA) data, Indonesia in the below ranking of corporate governance between some of ASEAN countries.

Table 1
CG Watchmarketscores: 2010 to 2014 (%)

	2010	*2012*	*2014*	*Change 2012 vs 2014*	*Trend of CG reform*
1.= Hongkong	65	66	65	(-1)	Weak leadership, tough enforcement
2.= Singapura	67	69	64	(-5)	International vs local contrast continues
3. Japan	57	55	60	(+5)	Landmark changes, can they be sustained?
4.= Thailand	55	58	58	-	Improving, but new legislation needed
5.=Malaysia	52	55	58	(+3)	Improving, but still too top-down
6. Taiwan	55	53	56	(+3)	Bold policy moves, can they be sustained?
7. India	48	52	54	(+3)	Bouncing back, Delhi more supportive
8. Korea	45	49	49	-	Indifferent leader, more active regulators
9. China	49	45	45	-	Focus on SOE reform, enforcement
10.= Philippines	37	41	40	(-1)	Slow reform, improved company reporting
11.=Indonesia	40	37	39	(+2)	Big ambitions, can they be achieved?

Source: Asian Corporate Governance Association, 2014

From the previous data, Indonesia still included as bad corporate governance rather than other ASEAN countries such as Singapore, Thailand, Malaysia and Philippines. It is too risk for the going concern of the bussiness entities in Indonesia because it create some problems like fraudulent and finally will impact to the investment in bussiness entities in Indonesia.

There are so many cases about fraudulent in Indonesia. One of the newest one is the fictitious credit counterfeiting of Syariah Mandiri Bank cases in 2013 where there are three leaders of the Syariah Mandiri Bank's branch office in Bogor, West Java, was allegedly falsifying the identity of customers who apply for credit financing.Therefore banking companies nowdays is in the spotlight of society.

Banking companies can not be separated from a variety of financial transactions, the more complex of the transaction, the higher of the bank's risk. Risk is an inherent

part of business strategy and daily operations. So that, risk can not be eliminated but it can be managed.

In order to managed a risk, bank should be--identified, controlled and evaluated about all of the activities that can be as a threaten the going concern of the company that called as enterprise risk management (ERM). Enterprise risk management is a process, effected by an entity's board of directors, management and other personnel, applied in setting the strategy and across theenterprise, designed to identify potential events that may affect the entity, and manage the risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives (Chandiramani, 2009). So, by this enterprise risk management is expected that the company can anticipate and manage all the potential risks that will occur in order to improve corporate governance.

Concerning about enterprise risk management (ERM), government has set the rule about it in central bank's regulation number: 11/25/PBI/2009 the amendment of bank's regulation number 5/8/PBI/2003 Article 2 about the application of risk management for commercial bank. Not only just for implementing the risk management, in this rule, government also ask for the bank to disclose it. It was stated in article 21.Another rule that support of the disclosure of risk is Bapepam chairman's decision and Financial Institutions No. KEP-134/BL/006 about the Obligation to Submit Annual Report to Public Listed Company, stated that issuers are required to include a description of the risks facing the company and the efforts that have been done by the company to manage the risks.

In the context of the annual report, the quality of the companies to disclose the informations included the risks are different. According to Al-shammari (2014), there are some referenced studies provided evidence that various corporate-specific characteristics affect risk disclosure. The determination of the characteristics of the company to disclose the risk can be determined by using three categories, namely: characteristics related to the structure, performance, and market (Subiyantoro, 1996). The structure includes the size of the company and leverage. Then the performance include the company's ability to fund the company's operations and repay short-term obligations (liquidity of the company) and the company's ability to generate earnings (profitability of the company). Further market-related characteristics, determined by factors that are qualitative, such as the type of industry and type of auditor.

This research refer to the previous research conducted by (Arif, 2006). Thedifference in this research with researchedby (Arif, 2006) is this research uses the variables of company characteristics that are includecompany size, leverage, management ownership, public ownership, profitability, liquidity and type of

auditor in banking companies listed in Indonesia Stock Exchange 2010-2013 period while researched by (Arif, 2006) uses leverage, liquidity, profitability, portion of public share and company's agein manufacturing company listed in Jakarta Stock Exchange period 2014.The additional variables in this research are company size, management ownership and type of auditor. The reason is to complete the three categories of company characteristics that are characteristics related to the structure, performance, and market and also to prove the evidence for the inconsistency of these variables in the previous research.Company size is one of the most important variables in explaining variation in disclosure (Al-Shammari, 2014). The size of the company is defined as how big a enterprise shown by total assets, number of sales, average total sales and average assets. Company size is considered important because the bigger the size of a company, then the "marketability" of a company would be better. Brammer and Pavlin (2008) argued that larger companies tend to be more visible to relevant public groups because they may have a monopolisticability in the market.

The next factor that may affects the quality of enterprise risk management disclosure is leverage. Leverage is an instrument to measure how much the use of debt as investment financing. From the perspective of agency theory, the creditors of the company with high leverage have strong incentives to encourage management to disclose more information (Amran *et al.*, 2009).

Another factor that may affects the quality of enterprise risk disclosure is management ownership. Management ownership is the proportion of shareholders that management is actively involved in corporate decision (directors and commissioners) (Diyah and Erman, 2009). According to Lucyanda and Siagian (2012), the company's ownership structure dominated by managerial ownership increase the productivity and extend the performance of the company's managers. It can be concluded that the disclosure of the environment by corporate managers aimed to improve and maintain the social image of the company to stakeholders despite having to incur huge costs.

The other factor is public ownership. Public ownership is the proportion of shares that is own by the general public or by outsiders (Febriantina, 2010). The differences in the proportion of shares held by outside investors can affect the comprehensivenessof the disclosure by the company.

Profitability describes the ability of businesses to generate income by using all capital that are owned (Sartono, 2008: 122).Companies that have a high level of profitability followed by a high risk. The high risk of the company, the quality of the company to disclose the information is also high. There is a positive relationship between the level of profitability and risk disclosure for corporate managers in

increasing profits can provide greater information to improve investor confidence and thus to increase their compensation (Singhvi and Desai, 1971 in Aljifri and Hussainey, 2007).

Almilia, Luciana and Retnasari Ikka (2007) classified the liquidity as a tool to measure the health of a company. Healthy condition of the company, which is shown by high liquidity levels, associated with a wide disclosure. It is based on expectations that the company's financial is strong, would tend to reveal more information. Because they want to demonstrate to external parties that the company is credible.

The last variable that may affect the quality of enterprise risk disclosure is type of auditor.In this case, type of auditor is measured by auditor reputation. Auditor reputation by the auditors does used by companies included in the Big Four or not. Auditors are key external oversight mechanisms of an organization, and in recent years the focus of risk management (Subramaniam, *et al.*, 2009). The external auditors may also affect the internal control system client with post-audit made recommendations on improving the design of the system (Subramaniam, et al., 2009).

Research about disclosure of risk management and the factors that influence it, had been done by several researchers. Among them is a study conducted by Meizaroh and Jurica (2011) who examined factors of independent commissioners, commissioners board size, the existence of risk management committee, auditor reputation, and the concentration of ownership of enterprise risk management disclosures provide results that independent commissioners and board size has no effect on the disclosure of ERM, while the risk management committee, auditor reputation, and concentration of ownership affect the ERM. Desender (2007) showed that the existence of Chief Risk Officcer (CRO), an independent commissioner, auditor type, and firm size has effect on the level of disclosure of ERM.

II. THEORITICAL FRAMEWORKS

Agency Theory

Jensen and Meckling (1976) in Widyantari (2011) define as a contractual agency which is relationship in one or more person (the principal) ask the other party (the agent) to perform some work on behalf of the principal which involves delegating some decision-making authority to the agent. If these two parties involved in the contract which seek to maximize their utility then there is a possibility that the agent will not always act in the best interests of the principal. With the aim of motivating the principal agent contract to design in such a way so as to

accommodate the interests of the parties involved in the contract agency. Efficient contract is a contract that satisfies the two assumptions, which are as follows: (1) Agents and principals have asymmetric information means that both the agentand principals have the quality and quantity of information are the same so there is no hidden information that can be used for his own gain, and (2) Agent's risk associated with a small return on their services whichmeans that agents have a high certainty regarding his reward. However in reality, the agent as general manager of the company have more information about the condition of the company compared with the principal, as the owner of the company. Finally, this situation tend to create a conflict of interest between principal and agent.

Isnanta (2008) uses three basic assumptions of human nature in order to explain the agency theory, namely: (1) humans are generally selfish (self interst), (2) humans have a limited power of thought regarding the perception of the future (bounded rationality), and (3) people always avoid the risk (risk averse). Based on the assumption of human nature, as human managers will most likely act on opportunistic nature such as prioritize his personal interests.

In order to minimize the agent's act which is not in accordance with their interests, according to Jensen and Meckling, 1976; Subramaniam, et al., 2009, the principal has two methods, namely (1) Supervise the behavior of agents by adopting the audit function and other corporate governance mechanisms that can align the interests of agents with the interests of the principal, and (2) Providing attractive employment incentives to the agent and held a reward structure that can persuade the agent to act in accordance with the best interests of the principal.

Corporate Governance

Corporate governance is a concept that is related to the structure of the company, the division of labor, division of authority and the division of the burden of responsibility from each of the elements that make up the structure of the company, and the mechanisms that must be taken by each element of the company, as well as the relationships between the elements of the structure of the company ranging from the AGM, directors, commissioners, also regulate the relations between the elements of the company structure with elements outside the company that are essentially the stakeholders of the company, the country would be very interested in tax receipts from the company in question, and the general public covering public investors of the company (in case the company is a public company), potential investors, creditors and potential creditors of the company.

Good Corporate Governance is a bank's governance that applies the principles of transparency, accountability, responsibility, independency, and fairness (Bank Indonesia Regulation No. 8/4/PBI/2006 on the Implementation of Good Corporate

Governance for Commercial Banks). Central Bank Regulation No. 8/4/PBI/2006 gives a general explanation of the definition of corporate governance principles as follows: "First of transparency is defined as openness in expressing material and relevant information and transparency in the decision making process. Second, accountability namely clarity and accountability functions of the bank so that effective management. Third, responsibility that the suitability of the management of the bank with the legislation in force and the principle of sound bank management. Fourth, independency is the professional management of the bank without the influence/pressure from any party. Fifth, fairness of justice and equality in meeting stakeholders' rights arising under the agreement and legislation in force ".

For banking companies Indonesia, there are three documents that can be used as a reference implementation of good corporate governance in commercial banks. In accordance with the publication of three documents are (1) "Enhanching Corporate Governance for Banking Organizations" was first published in 1999 by the Basel Committee on Banking Supervision, Bank for International Settlements, and revised in February 2006; (2) "Guidelines for Good Corporate Governance Indonesian Banking" published by the National Committee on Corporate Governance (KNKCG) in January 2004; and (3) Bank Indonesia Regulation No. 8/14/PBI/PBI No. 2006 regarding changes 8/4/PBI/2006 on the Implementation of Good Corporate Governance for Banks, issued on January 30 and October 5, 2006.

Enterprise Risk Management

In 2004, COSO (Committee of Sponsoring Organizations of the Treadway Commission) published Enterprise Risk Management Integrated Framework that describes the essential components, principles and concepts of enterprise risk management for the entire organization, regardless of size. According to the COSO, definition of Enterprise Risk Management, namely: "A process, effected by an entity's board of directors, management and other personnel, applied in setting strategy and across the enterprise, designed to identify potential events that may Affect the entity, manage risk to be within its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives" (Hanafi, 2009).

COSO ERM Framework consists of eight components that should be up and running in order to be regarded as an effective ERM, (a) Internal Environment. This component reflects the tastes of the company against risks that can give you an idea of risk and control must be based on or be known by all levels of the company. Management is responsible in determining attitudes towards risk to all levels within the company as guidelines, (b) Objective Settings. Companies need to establish strategic objectives widely and acceptable risk. Strategic objectives

reflect management options on how to improve the enterprise value of the company, especially for shareholders. Furthermore, the company must set also risks associated with the company's goals. The object categories, among others (1) Strategy: the ultimate goal being to support the organization's mission, (2) Operation: use resources effectively and efficiently, (3) Financial Statements, and (4) Compliance in accordance with applicable laws and regulations, (c) Events Identification. Following the concept of the COSO Internal Control, management must have the processes undertaken to identify the events that have a positive or negative influence on the strategy-related risks. Based on the tolerable risk, the company may consider internal or external events that may be new risks or even reduce existing risks. Examples of these events include changes in the competitive environment and socio-economic trends, (d) Risk Assessments. At the time there is an event that is a risk, management needs to consider how the impacts that may result from the occurrence of the ERM Objectives company is seen from the frequency and how much influence these events, (e) Risk Responses**.** Management should establish a wide selection of responses to the risks and consider the consequences through the intensity and magnitude of the effect of the incident relating to the company's risk tolerance. Response to the risks that can be done are (1) Avoiding risk (avoidance), (2) Reduce the risk (reduction), (3) Divide the risk (sharing), and (4) Accept the risk (acceptance). The review of responses to risk and guarantee the belief that some of the responses are taken and implemented risk is a key component of an ERM Framework, (f) Control Activities. Policies and procedures must exist to ensure that an adequate response to the risks that have been done. Control Activities should exist at all levels and functions within the company, including approvals, authorizations, performance review, safety and security issues, and segregations of duties adequately, (g) Information and Communication. Information on the risks associated with the company either from external or internal parties should be identified, processed, and communicated to the parties that have links and responsibility. Effective communication should flow to all levels of the company and also to external parties such as customers, suppliers, government, and shareholders, nnd (h) Monitoring. Procedures are constantly being made to oversee the ERM program and its quality in time to time. There are two media of monitorig, such as (1)Ongoing activities, and (2) Separated evaluation. Monitoring through ongoing activities and separate evaluations are ensure that the company's risk management continues to be applied at all levels and in all entities.

Enterprise Risk Management Disclosure (ERMD)

Bank is intermediate institutions who collects public's funds and ditributes them back to the society. So that, bank's operations really depend on public's funds for

example in investment activity. Investment activity is not separated from the element of risk and uncertainty. Therefore, bank needs to do risk management that can prevent or at least minimize some risks that arise in the bank.

One important aspect in the risk management is the risk reporting (risk disclosures in the annual report). The company is said to have revealed a risk if the annual report readers informed about opportunities or prospects, danger, harm, or threat of exposure, which will affect the company now and in the future (Linsley and Shrives, 2006). According to Belkaoui (2011: 338), some of the disclosure purposes are (1) Outlines the things that are recognized and feed relevant measurement thal it is beyond the measurement used in the financial statements, (2) Outlines the things that are recognized and to provide useful measurements for these things, (3) Provide information that will help investors and creditors assess the potential risks of the things that is recognized and not recognized, (4) Provide important information that enables users of financial statements to make comparisons within a year and between years, (5) Provides information on incoming and outgoing cash flows in future, and (6) Help investors assess their return on investment. Every preventive and minimize effort to the risk of a bank that has been done in order to maintain public confidence or other purpose in investing and other interested parties, of course it would be better if the bank reported it in the annual reports. Disclosure implies as an openness that is the basis of public confidence in management of the corporate system. In other words, the quality of corporate governance mechanisms should be seen from the level of openness or transparency (Lins and Warnock, 2004).

Every year, the company that has been listed on the Indonesia Stock Exchange as a publicly listed companies are required to publish an annual report. Disclosures in the annual report are grouped into two parts, namely the mandatory disclosure and voluntary disclosure (Laksito & Suta, 2012). A few years ago, entrerprise risk management still voluntary disclose, especially with regard to financial instruments. In Indonesia, the disclosure of risks by banks is one of the mandatory disclosure (Oorschot, 2009) that is regulated by the Securities and Exchange Commission Decree of Bapepam in Attachment No. Kep-134/BL/2006.

Company Characteristics

According to (Subiyantoro, 1996), in the context of the annual report, the determination of the characteristics of the company can be determined by using three categories, namely: characteristics related to the structure, performance, and market.

Characteristics Related to The Structure

Company Size

Company size is the picture of company whether it is big or small that is determined based on the nominal size, for example, the amount of wealth and the total sales of the company in the period of sale, as well as market capitalization. The grouping of companies on the basis of the scale of operation (large and small) can be used by investors as one of the variables in determining investment decisions (Ibrahim, 2008).

According to Fitriani (2001) there are three alternatives that are used to calculate the company size. Three of them are the total assets, net sales and market capitalization. But based on research Fitriani (2001) showed that total assets of more indicates the company size than the market capitalization and net sales. In addition, another reason that the total assets is a measure that is relatively more stable than other measures in measuring the size of the company (Sudarmadji and Sularto, 2007).

Leverage

According to Wardhana and Cahyonowati (2013), leverage is a way to measure the number of the use of debt in financing investment. Leverage refers to the use of finance resources such as debt and borrowed funds to increase the return on equity (Ezat and Al-Masry, 2008). Leverage ratio in this study is proxied debt to total assets ratio that similar with research of Al-Shammari (2011). This ratio compare the total debts to total assets of company. It describe the company's ability to pay all its debts (both short-term debt and long term debt) from the assets of the company.

Ownership Structure

Management Ownership

In the ownership structure, management is also given the right to do an equity participation of the company in order to carry out the company's operations on an ongoing basis. So that, management has double roles in a company which are as an executor corporation and shareholders. Management ownership is the proportion of shareholders that management is actively involved in corporate decision (directors and commissioners) (Diyah and Erman, 2009).

Public ownership

Public ownership is ownership by the company or by the general public or outsiders.According Wijayanti (2009), the ownership of the company by an outside

party has a great power in the company, because it can affect the company through the mass media in the form of criticism and comments are all regarded as the voice of the public or community. An ownership structure that has a large proportion of public ownership can press management to present information in a timely manner due to the timeliness of financial reporting can affect economic decision making (Febriantina, 2010).

Characteristics Related to The Performance

Profitability

Profitability describe how to measure the effectiveness of the overall management addressed by the size of the profit level in connection with the sale or investment. The more high profitability ratio, the better illustrate the ability of the high profit to the company (Fahmi, 2011: 135). The proxy that is often used in assessing the profitability are Earning per Share (EPS), Return on Equity (ROE), Return on Assets (ROA), and net profit margin (NPM). Return on Assets (ROA) was chosen as a proxy for the level of profitability in the research.

Liquidity

Liquidity is a measurement of the company's progress in the company's ability paying short-term obligations. Cooke (1989) in Marwata (2001) explains that the level of liquidity can be attributed to the company's financial condition. The more a company's financial strength to meet its short term obligations followed by higher risk.

Wallace *et al.* (1994) in Fitriani (2001) suggest that liquidity is seen as a measurement of performance in managing the company's financial management. High performance is also associated with a high risk. High-performance will encourage companies to do more extensive disclosure to obtain risk information held by the company. Research on the relationship between the ratio of liquidity with extensive disclosure has been proposed by Cooke (1989) in Fitriani (2001). The study shows the liquidity has a positive relationship with the extensive disclosure.

Characteristics Related to The Market

Type of Auditor

In this case, type of auditor is measured by auditor reputation. Auditorreputation by the auditors does used by companies included in the Big Four or not. Size of public accountant firm according Benardi, *et al.* (2009) divided into two

classifications, ie the firm that is familiar with the Big Four and non Big Four public accountant firm.

Auditors with a good reputation as the Big Four tend to prefer dealing with a client who has a good value in the business community, therefore the Big Four auditors will affect the client to act in accordance with best practice. (Carson, 2002 in Andarini and Indira, 2010). Big Four auditors can improve the quality of internal control mechanisms to their clients is higher than the non-Big Four auditors (Cohen *et al.,* 2004, in Subramaniam *et al.,* 2009). In this research the reputation of the auditor is proxied by affiliate Public accounting firm thebig Four. Public accounting firm in Indonesia, which is affiliated with the Big Four Auditors namely (a) Public accounting firm **Purwantono, Suherman & Surja** affiliated with the firm Ernst and Young, (b) Public accounting firm Osman Bing Satria and associates affiliated with the public accounting firm Deloitte Touche Tohmatsu, (c) Public accounting firm Sidhartha, Sidhartha, Widjaja affiliated with public accounting firm KPMG (Peat Marwick Goerdeler Klynveld), and (d) Public accounting firm Tanudiredja, Wibisana &and associates affiliated with public accounting firm Price Waterhouse Coopers (PWC)

Theoritical Framework

Based on the analysis of the theory descriptive and previous research that examine the factors that influence the risk of ERMD above, it can be described a theoretical framework as follows:

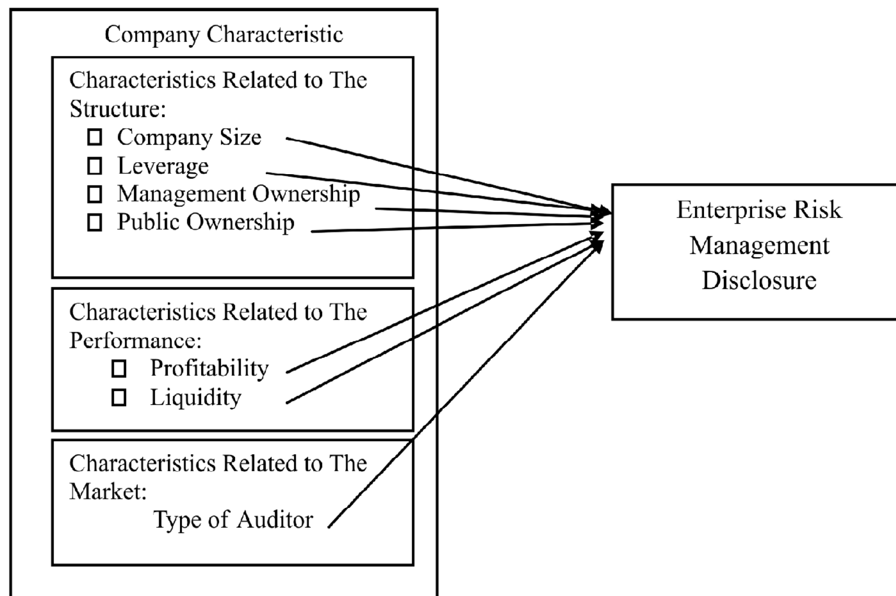

Figure 2.1: Theoritical Framework

Hypothesis

By reference from the literature review, the basic theory and previous research, it hypothesis proposed in this research are:

The Effect of Company Size to The Enterprise Risk Management Disclosure

Company size shows the size of a company in the ownership structure. In general, large companies will voluntarily disclose more information than small small companies. There are several arguments that could explain why company size effect on voluntary disclosure in the annual report. Large companies have huge resources. With such a great resource, companies need to be able to finance the provision of information for internal purposes. Agency theory states that large companies have greater agency costs than small companies [Jensen and Meckling in Marwata (2001)]. Large companies will disclose more information voluntarily as an effort to reduce the agency costs. From the abovehypothesiscan be obtainedas follows: H_1: company size hasa positive significant effect to ERMD.

The Effect of Leverage to The Enterprise Risk Management Disclosure

Jensen and Meckling (1976) in Benardi. *et al.,* (2009) suggests that there is a potential for wealth transfer from debtholders to shareholders and managers at the company's level of dependence on debt that is very high, giving rise to agency costs are high. To reduce agency costs manager will provide a wider disclosure in order to convince the lender (Aljifri and Hussainey (2006) in Benardi *et al.,* (2009)). Therefore, companies with high levels of leverage are likely to share the confidential information with the creditors, in order to fullfil the creditors' need of specific company's information to conduct wider disclosure.From the above hypothesis can be obtained as follows: H_2: leverage has a positive significant effect to ERMD.

The Effect of Management Ownership to The Enterprise Risk Management Disclosure

Management was instrumental in running the business continuity. Management does not only serve as the manager of the company but also the role as shareholder. Management will be responsible for the whole business activities that have been done by do the disclosure in the financial statements. The percentage of managerial share ownership of is higher, it will cause the higher management's responsibility in taking a decision so that the risk becomes higher (Dampsey Laber, 1993). From the abovehypothesiscan be obtainedas follows: H_3: management ownership has a positive significanteffect to ERMD.

The Effect of Public Ownership to The Enterprise Risk Management Disclosure

According to Cerf and Shinghvi, the more number of shares owned by the public, the more parties who need the information risks facing the company. These conditions will be followed by increasing pressure to disclose the risks facing the company. From the above hypothesis can be obtained as follows: H_4: public ownership has a positive significant effect to ERMD.

The Effect of Profitability to The Enterprise Risk Management Disclosure

High level of profitability will show an interest investors to buy shares in the company. It could be argued that the profitability ratio indicates a company's ability to generate profits. The higher profitability ratios, meaning the higher ability of the company makes a profit. The level of profitability also gives an overview of the company's achievements in managing resources and generate profits for shareholders. This will encourage companies to disclose more extensive information to stakeholders.There is a positive relationship between the level of profitability and risk disclosure for corporate managers in increasing profits can provide greater information to improve investor confidence and thus to increase their compensation (Singhvi and Desai, 1971 in Aljifri and Hussainey, 2007). From the abovehypothesiscan be obtainedas follows: H_5: profitability has a positive significant effect ERMD.

The Effect of Liquidity to The Enterprise Risk Management Disclosure

High liquidity level will indicate the strength of the company's financial condition. Companies that is in good liquidity, tends to disclose more information. The company which is in high liquidity means financial condition of that company is also good, so if the information is known to the public then it will show a good performance of the company as well. From the abovehypothesiscan be obtainedas follows: H_7: liquidity has a positive significant effect to the ERMD.

The Effect of Type of Auditor to The Risk Management Disclosure

Big Four auditors are seen as having a good reputation. In general, will provide guidance to their clients on the best corporate governance practices, particularly regarding implementation of ERM (Chen, *et al.*, 2009).Research Beasley *et al.* (2005) and Desender (2007) found the influence of the presence of the Big Four to the level of ERM adoption. There is greater pressure on Big Four audited company to implement and disclose ERM (Chen *et al.*, 2009). From the above hypothesiscan be obtainedas follows: H_7: type of auditor has a positive significant effect to ERMD.

III. RESEARCH METHODOLOGY

Population and Sample

Population is a combination of all the elements in the form of events, things or the people that have similar characteristics are the center of attention of the researchers because it is seen as the universe of research (Ferdinand, 2007). The population in this research are all listed banks in Indonesia Stock Exchange during the period 2010-2013.

In this research using purposive sampling, since the required informatio can be obtained from a particular target groups that can provide information and fulfill the criteria of research (Ferdinand, 2007). The samples are selected based on the information that is in accordance with some criteria. The criteria are as follows (1) Banking which is listed in Indonesia Stock Exchange during the period 2010-2013, (2) Banking company publishes the annual report in *www.idx.co.id* and/or in company's website consistently during the period 2010-2013 and the data are complete, and (3) Banking company that gain the profitconsistently during the period 2010-2013. Through this method, the final sample used are 25 banking that meet the criteria..

Variable of Research

Enterprise risk management

ERMD is the provision of information about the risks faced by the company to stakeholders. The medium used for disclosure is one of them through the annual report. Good disclosure is when stakeholders feel that they're given adequate information from the disclosure. Disclosure of financial statements according to Naim and Fuad (2000) is significant in achieving the efficiency of capital markets and a means of public accountability. Comprehensiveness is a form of quality. Imhoff (1992) in Naim and Fuad (2000) stated that the quality seemed as important attributes of an accounting information. Although the quality of accounting still has a double meaning (ambigous) many studies. By using the index of disclosure methodology suggests that the quality of disclosure is measured and used to assess the potential benefits of the annual report. In other words, Imhoff says that the high quality of accounting information is associated with the level comprehensiveness. So, in this research, the level comprehensiveness of ERMD is calculated by index. This disclosure index is made in order to determine and measure the difference in the companies' disclosure practices with one another. The more a company to disclose its risk, the more it has the ability to avoid such risks.

ERMD was using 108 criterias of disclosure based on the COSO ERM Framework dimension which includes eight dimensions which is in accordance with research conducted by Desender (2010) and Meisaroh and Lucyanda (2011) such as the internal environment, goal setting, event identification, risk assessment, risk response, control activities, information and communication, and monitoring In addition, the calculation of the items using a dichotomous approach that every item ERM that is expressed rated by 1, and 0 if not disclosed. Each item will be added together to obtain the overall ERM index of each company to calculate the amount of disclosure and divided by the total of 108 items of disclosure items.The calculation of the Enterprise Management Risk Disclosure Index (ERM) is formulated as follows:

$$ERMD = \frac{risk\ disclosure\ items}{108} \times 100\%$$

Company Size

Company size is the number of the company's net worth. Sudarmadji and Sularto (2007) explains the large size of the company can be expressed in total assets, sales, and market capitalization. Based on three measurements, the value of assets is relatively more stable than the market value of capitalized and sales in measuring the size of the company.The formula that is used is:

Ln = Total of Assets

Leverage

The level of leverage in this study was measured using a debt-to-equity ratio (DER). It is used as a proxy for the risk by following Amran *et al.,* (2009). Debt to equity ratio was found to represent a significant effect on the level of leverage risk disclosure (Hassan, 2009). The formula that is used to measure the debt to equity ratio is:

$$LEV = \frac{Total\ of\ Liabilities}{Total\ of\ Assets} \times 100\%$$

Management Ownership

Management ownership of company, as measured by the percentage of shares owned by management (Demsetz and Lehn, 1985).The formula that is used in calculating the management ownership structure is:

$$= \frac{shares\,owned\,by\,management}{shares\,of\,company} \times 100\%$$

Public Ownership

Company's shares that are owned by the general public or by outsiders (Febriantina, 2010).Type of public shares ownership is the ratio of the number of public shareholders of the company (Sudarmadji and Sularto, 2007). The formula that is used in calculating the public ownership is:

$$PO = \frac{shares\,owned\,by\,public}{shares\,of\,company} \times 100\%$$

Profitability

Return on Assets (ROA) was chosen as a proxy for the level of profitability in the research. ROA is a profitability ratio that shows the comparison between earning (after taxes) to total bank assets, this ratio indicates the level of efficiency of asset management is carried out by the bank. The formula that is used in calculating ROA is:

$$PROF = \frac{Earning\,After\,Income\,Tax}{Total\,assets} \times 100\%$$

Liquidity

Current Ratio (CR) is determined as a proxy for the level of liquidity of the company in this study. Current Ratio (CR) is used to describe a company's ability to meet short-term debt by using current assets. The formula that is used in calculating Current Ratio (CR) is:

$$LIQ = \frac{current\,asset}{current\,liability} \times 100$$

Type of Auditor

In this term, type of auditor is measured by auditor reputation. Auditor reputation is indicated by whether a company uses Public Accounting Firm as external auditors who are members of the Big Four Firm which is an international group of auditor. Auditor reputation is measured using a dummy variable that is when banking companies use Big Four were given a value of 1 and vice versa given the value 0.

Analysis Technique

Multiple Regression Analysis

The method of analysis used to assess the wide variability disclosure risk in this study is multiple regression analysis. Multiple regression analysis was used to test the effect of independent variables, risk management Committee (RMC), company size, leverage, management ownership, public ownership, profitability, liquidity and type of auditor to the dependent variable broad corporate risk disclosure. regression Model developed to test the hypotheses that have been formulated in this research are:

$$ERM\ Disclosure = a + b_1CS + b_2LEV + b_3MO + b_4PO + b_5PROF + b_6LIQ + b_7TOA$$

Note: CS=Company Size, LEV=Leverage, MO=Management Ownership, PO=Public Ownership, PROF=Profitability, LIQ=Liquidity, TOA=Type of Auditor, a=constanta, $b_{1\text{-}8}$ =Coefficient of Regression

Test of Hypothesis

Test Coefficient of Determination (R^2)

The coefficient of determination (R^2) was used to measure how far the ability of the model in explaining the variation in the dependent variable (Ghozali, 2006). R^2 value is between 0 and 1. If the value of R^2 close to 0 means the ability of the independent variables in explaining variation in the dependent variable is very limited. Whereas, if the value of R^2 close to 1 means the independent variables provide almost all the information needed to predict the variation in the dependent variable.

F Statistical Test

F statistical test used to determine whether all the independent variables included in the regression model has the effect together (simultaneously) on the dependent variable (Ghozali, 2006). The decision is of significance if the probability value < 0.05, then the independent variables jointly affect the dependent variable.

t Statistical Test

t statistical test used to determine how far the influence of the independent variables in explaining the variation individually dependent variable (Ghozali, 2006). The decision is of significance if the probability value < 0.05, then the independent variable is a significant explanatory on the dependent variable.

V. RESULT AND DISCUSSION

Multiple Regression Analysis

Multiple regression analysis shows how much the effect of independent variable to dependent variable. Regression coefficient result as following can be drown equation as follows:

$$ERMD = 0{,}636 + 0{,}0002CZ + 0{,}060LEV + 0{,}319MO - 0{,}058PO + 0{,}217PROF - 0{,}034LIQ + 0{,}024TOA$$

The correlation coefficient is a value indicating the degree of association (relationship) between independent variables and the dependent variable, in this case the relationship between the company characteristics that consists of company size (CZ), leverage (LEV), management ownership (MO), public ownership (PO), profitability (PROF), liquidity (LIQ) and the type of auditor with enterprise risk management disclosure (ERMD). Based on calculations using SPSS 21 software, the results are as follows:

Table 2
Multiple Correlation Analysis
Model Summary[b]

Model	*R*	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*
1	,741[a]	,549	,515	,03317355

a. Predictors: (Constant), Type of Auditor, LIQ, LEV, PO, CZ, MO, PROF
b. Dependent Variable: ERMD
Sources: Secondary data processed, 2015

Based on the results presented in the table above, it can be seen that the value of multiple correlation coefficient (R) is 0.741 and included in the category of relationships that "strong" correlation is in the interval between ".60 to .799". Based on these results, we can conclude that there is a strong relationship between the characteristics of the company consisting of company size (CZ), leverage (LEV), management ownership (MO), public ownership (PO), profitability (PROF), liquidity (LIQ) and type of auditor simultaneously with enterprise risk management disclosure (ERMD) the banking company listing on the Indonesia Stock Exchange 2010-2013.

Coefficient of determination (R2)

The coefficient of determination is a value indicating the contribution of the impact that the independent variable on the dependent variables are expressed as a

percentage, in this case the contribution of the influence exerted by the characteristics of the company consists of company size (CZ), leverage (LEV), management ownership (MO), public ownership (PO), profitability (PROF), liquidity (LIQ) and the type of auditor to the enterprise risk management disclosure (ERMD) on banking companies listed in Indonesia Stock Exchange 2010-2013. Result showed the value of R Square obtained is 0.549 or 54.9%. The results showed that simultaneous characteristics of companies that consists of company size (CZ), leverage (LEV), management ownership (MO), public ownership (PO), profitability (PROF), liquidity (LIQ) and the type of auditors contributes influence amounted to 54.9% of the enterprise risk management disclosure (ERMD) on banking companies listed in Indonesia Stock Exchange in 2010-2013, while (1-R Square) the rest 45.1% can be explained by other factors.

According to Schumacker and Lomax (1996: 142-42) in Kusnendi (2005: 17), to determine the contribution of partial effect, it can be seen from the multiplication of the value of Beta (standardized coefficients) with Zero-Order (partial correlation)

Test results of partial determination coefficient indicated there are informations that partially CZ most dominant influence on ERMD with contributions influence exerted by 41.8%, the next type of auditor of 9.5%, 1.7% PROF, PO 0.7%, LEV and MO of 0.6% and 0.1% LIQ so that the total effect is given by the seven factors is 54.9%.

Simultaneous Significant Test (F-Test)

Based on the test results of the coefficient of determination, there are information about seven factors as dependent variables that affect enteprise risk management. In order to test the significance (meaningfulness) effect that is occurs, then the simultaneous hypothesis test (F test) and partial (t test). Test result for F test showed the value of significance (Sig.) Obtained was 0.000 < 0.05. So in accordance with the criteria of hypothesis testing is to reject and reject Ho Ha, that is simultaneously the characteristics of companies that consists of company size, leverage, management ownership, public ownership, profitability, liquidity and type of auditor have a significant effect to enterprise risk management disclosure in the banking companies listed in Indonesia Stock Exchange 2010-2013.

Partial Significant Test (t-Test)

Basically, Partial Significant Test (T-Test) shows how far the effect of independent variables individually in explaining the dependent variable. The result can be seen in Table 5.15 below.

Table 3
t test (Partial)

No.	*Model*	t_{test}	*Sig.*	α	*Decision*	*Description*
1	CZ to ERMD	6,612	0,000	0,05	Ha accepted	Significant
2	LEV to ERMD	0,772	0,442	0,05	Ha rejected	not significant
3	MO to ERMD	3,332	0,001	0,05	Ha accepted	significant
4	PO to ERMD	-2,269	0,026	0,05	Ha accepted	significant
5	PROF to ERMD	0,358	0,721	0,05	Ha rejected	not significant
6	LIQ to ERMD	-1,143	0,244	0,05	Ha rejected	not significant
7	Type of Auditor to ERMD	2,417	0,018	0,05	Ha accepted	significant

Source: Secondary Data Processed (2015)

The table above provides information regarding the results of the partial hypothesis test (t test). The results are presented in the table above can be interpreted as follows:

1. The value of significance (Sig.) that is obtained for the CZ is 0,000 <0,05 so in accordance with the criteria of hypothesis testing is accept Ha, means that partially company size has positive and significant effect to the enterprise risk management disclosure in banking companies listed in Indonesia Stock Exchange 2010-2013.
2. The value of significance (Sig.) that is obtained for the LEV is at 0.442> 0.05 so in accordance with the criteria of hypothesis testing is reject Ha, means that partially leverage has no significant effect to the enterprise risk management disclosure in the banking companies listed in Indonesia Stock Exchange 2010-2013.
3. The value of significance (Sig.) that is obtained for the MO is 0,001 <0,05 so in accordance with the criteria of hypothesis testing is accept Ha, means that partially management ownership management has positive and significant effect to the enterprise risk management disclosure in banking companies listed in Indonesia Stock Exchange 2010-2013.
4. Value significance (Sig.) that is obtained for PO is 0.026 <0.05 so in accordance with the criteria of hypothesis testing is accept Ha but has a negative effect, means that the partially public ownership significant effect to the enterprise risk management disclosure in banking companies listed in Indonesia Stock Exchange 2010-2013.
5. The value of significance (Sig.) that is obtained for PROF is at 0.721> 0.05 so in accordance with the criteria of hypothesis testing is reject Ha, means that partially profitability has no significant effect to the enterprise risk

management disclosure in the banking companies listed in Indonesia Stock Exchange 2010-2013.

6. Value significance (Sig.) that is obtained for LIQ is at 0.224> 0.05 so in accordance with the criteria of hypothesis testing is reject Ha, means that partially liquidity has no significant effect to the enterprise risk management disclosure in the banking companies listed in Indonesia Stock Exchange 2010-2013.
7. The significance (Sig.) that is obtained for the type of auditors amounted to 0.018 <0.05 so in accordance with the criteria of hypothesis testing is accept Ha, means that the type of auditor partially positive and significant impact to the enterprise risk management disclosure in banking companies listed in Indonesia Stock Exchange 2010-2013.

DISCUSSION OF TEST HYPOTHESIS' RESULTS

The Effect of Company Size to The EnteripriseRisk Management Disclosure

This result of study as seen in table 5.14 shows that there is a positive and significant effect of company size to the enterprise risk management disclosure. This result is similiar with the researched conducted by Fitriani (2001) stated that the company size variable either partially or simultaneously has a significant effect to the wide of annual report disclosure.

This result is also consistent with researched by Chow and Boren (1987), Cooke (1992), Wallace et al. (1994), Subtoro (2003), Karin and Ahmed (2005) who found that companies characteristics proxied by firm size (assets) has a positive effect to the wide of the annual report.disclosure. It supported by Yuniati (2000), generally, large companies disclose more information than small companies. Larger-sized companies tend to have a public demand for information that is higher than a small companies.

The effect of the company size with wide of disclosure can be explained through the agency theory from Jensen and Meckling (1976). In an agency relationship that occurs between the principal and the management that gave the responsibility to managers for the resources that they manage. The greater the resources managed by the company, the greater the activity of such a business. Large companies will disclose more information than small companies as an effort to reduce agency costs (Jensen and Meckling, 1976).

The Effect of Leverage to The Enterprise Risk Management Disclosure

This result of study as seen in table 5.14 shows that there is a positive but not significant effect of leverage to the enterprise risk management disclosure. This

result is similiar with the researched conducted by Na'im and Rachman (2000) and Subroto (2003) which proves that the structure capital (leverage) significantly affects the wide of disclosure.

It also supported by researched ofNaim and Rachman (2000)about the analysis of the relationship between the completeness of the disclosure of financial statements with the capital structure and the type of ownership of the company. The results of these studies indicate that financial leverage has a positive significant relationship completeness of disclosure index.

Fitriani (2001) also conducted a research about the significance of differences in the completeness level of mandatory and voluntary disclosure in the financial statements of public companies listed on the Jakarta Stock Exchange. The results showed that the company's financial leverage has a positive and significant effect to the completeness of disclosure index. According to Jensen and Meckling (1976) in Marwata (2001), agency theory predicts that companies with higher leverage ratios will reveal more information, because the cost of agency companies with capital structure as it is higher.

According to Wardhana *et al.* (2013), the result is not significant likelihood can occur because the creditor can obtain information on the risks facing the company easily through lending procedures. Thus, the company does not have to disclose widely because creditors have been given enough information about the risks faced and anticipation made by the company. The other factor that this research has different result is caused by the different object between this research and the previous research. Most of the previous research used manufacturing and non-financial company as their object of research. So maybe for banking companies try do not too transparent to public because maybe it is too risk for them.

The Effect of Management Ownership to The Enterprise Risk Management Disclosure

This result of study as seen in table 5.14 shows that there is a postive and significant effect of management ownership to the enterprise risk management disclosure. This result is similar with the research conducted by Warfield, Wild, and Wild (1995)which showed that the quality of accounting information is positively related to the level of management ownership. It because management's role is not only as a manager of company but also as a shareholder, which lead them be responsible for all of activities that have been done by them by making disclosure in financial statement.

According to (Permanasari, 2012) that the greater of management ownership will strive to work well for the company and will reveal more information as part

of the management that their work is well. The higher their ownership level of the company, the higher their power over the decisions to be taken in preformance company so that the risks will possible higher. The higher the risk to be faced, so that management has a role that is as an owners and managers of companies, need a higher management disclosure, to ensure that their investment will not be affected by such risks.

The Effect of Public Ownership to The Enterprise Risk Management Disclosure

This result of study as seen in table 5.14 shows that there is a negative and significant effect of public ownership to the enterprise risk management disclosure. This result is different with the hypotesis that according toCerf and Shinghvi in Rosmasita (2007), the more number of shares owned by the public, the more parties who need the information risks facing the company. These conditions will be followed by increasing pressure to disclose the risks facing the company so that in hypothesis, public ownership has a positive and signifant effect to the enterprise risk management disclosure.

The different result of this study may caused by that companies whose shares are held by the public in large numbers do not necessarily provide wider disclosure than companies whose shares are held by the public in small quantities. This is possible because the owner of the public at large number is a small investor that does not have authority over financial and non-financial information desired and can not affect the wide of diclosure. It supported by Putra (2010) stated that public ownership is a combination of all shares owned by society at large beyond the institutional, managerial, government, and foreign, and only has a minority interest as stakeholders in an entity, so it does not has any effect or put pressure on the management companies to disclose information to company's annual report.

Other supports to this result is from Naim & Rachman (2000) in Simanjuntak & Widiastuti (2004) about the analysis of the relationship between the completeness of the disclosure of financial statements with the capital structure and the type of ownership of the company. The results suggest that the completeness of the disclosure is negatively related to the ownership structure of the public. Research conducted Hadi & Sabeni (2002) also showed similar results that public shares has no positive effect on the wider corporate disclosure.

The Effect of Profitability to The Enterprise Risk Management Disclosure

The results of this study as seen in table 5.14 found that profitability is positive but not significant effect to the enterprise risk management disclosure. These results are not consistent with agency theory proposed that the higher profitability of the company an entity would make the principal interest to buy shares of the company

and the stronger external parties control the company and in turn will reduce agency costs. The other factor that this research has different result is caused by the different object between this research and the previous research. Most of the previous research used manufacturing and non-financial company as their object of research. So maybe for banking companies try do not too transparent to public because maybe it is too risk for them.

The study of Singhvi and Desai (1971) provide evidence that there positive relationship between profitability and disclosure. According to Budiarto (2009),the effect of profitability is not significant because companies do more investment on the form of fix assets and there is a possibilities that sample of companies tend to not to be more transparant to disclose the information in the annual report.

The Effect of Liquidity to The Enterprise Risk Management Disclosure

This result of study as seen in table 5.14 shows that there is a negative and not significant effect of liquidity to the enterprise risk management disclosure. This result is different with the hypotesis that companies that is in good liquidity, tends to disclose more information so that in hypothesis liquidity has a positive and signifant effect to the enterprise risk management disclosure. Similar results were presented in a study conducted by Wallace (1994) in Fitriani (2001) that the company that has weak liquidity need to provide more detailed information than the more liquid the company to explain the background of these weaknesses.

According to Cooke (1989) in Marwata (2001) explained that the level of liquidity can be viewed from two sides. On one side, a high level of liquidity will demonstrate strong financial condition. These companies tend to perform wider disclosure to outsiders because they want to show that the company is credible. On the other side, liquidity is viewed as a measure of company's performance evaluation. Liquidity as a measure of performance means that companies with high liquidity are likely not going to reveal more information. While companies with low liquidity has an obligation to explain the poor performance of the company compared with a company that has a high liquidity ratio (Wallace & Mora., 1994).

The underlying reasons for liquidity has no significant effect to enterprise risk management according to (Djarwanto, 1984) is due to the fact that the high current ratio indicates excessive cash compared with the level of need or any element of the low liquidity of current assets. The higher the current ratio is good from the point of view of creditors, but from the perspective of shareholders is less profitable because of current assets are not utilized effectively.

Conversely a low current ratio is relatively more compact, but shows that the current asset management has operated effectively. The minimum cash balance

made in accordance with the needs and the level of accounts receivable and inventory turnover maximum cultivated. So the reason this variable does not affect the liquidity risk disclosure, because management has a dilemma on different points of view between the creditors and shareholders, therefore the management choose not to disclose in more detail and open the company's risk disclosure.

The Effect of Type of Auditor to The Risk Management Disclosure

The results of this study as seen in table 5.14 found that type of auditor is positive and significant effect to the enterpise risk management disclosure. The results of this study are consistent with the result of Sari (2014) about the implementation of enterprise risk management in manufacturing companies in Indonesia Lag. Sari (2014) showed that the positive effect of auditor reputation on the disclosure of Enterprise Risk Managment (ERM). This indicates that the presence of the big four auditor reputation is able to improve the disclosure of ERM. It shows the big four auditors is one of the key external oversight mechanisms within an entity, when the company in in the process of audit, use the services of the big four auditors so that the effectiveness in the management of enterprise risk management can be run and indirectly big four auditors can improve the disclosure of ERM. The results of this study is in line with research conducted byDesender premises, et al, (2009)and Rustiarini (2012).

V. CONCLUSION AND REMARKS

Conclusion

Based on the results of research related to the effect of the company characteristics consists of company size, leverage, management ownership, public ownership, profitability, liquidity and type of auditors to theenterprise risk management disclosure in the banking companies listed in Indonesia Stock Exchange in 2010-2013, we concluded as follows:

1. Simultaneously, the characteristics of companies that consists of company size, leverage, management ownership, public ownership, profitability, liquidity and type of auditor have a significant effect to enterprise risk management disclosure in the banking companies listed in Indonesia Stock Exchange 2010-2013.
2. Partially, company size, management ownership and type of auditor have a positive and significant effect to the enterprise risk management disclosure. Whereas public ownership has a negative effect to the enterprise risk management disclosure. Then leverage, profitability and liquidity have insignificant effect to the enterprise risk management disclosure.

- Company size has positive and significant impact on the enterprise risk management disclosure in the banking companies listed in Indonesia Stock Exchange in 2010-2013 with the contribution of a given partial effect of 41.8%.
- Leverage has insignificant effect to enterprise risk management disclosure in the banking companies listed in Indonesia Stock Exchange 2010-2013.
- Management ownership has a positive and significant impact to the enterprise risk management disclosure in the banking companies listed in Indonesia Stock Exchange in 2010-2013 with the contribution of the influence exerted by 0.6%.
- Public ownership has negative and significant effect to enterprise risk management disclosure in the banking companies listed in Indonesia Stock Exchange in 2010-2013 with the contribution of a given partial effect of 0.7%.
- Profitability has insignificant effect to enterprise risk management disclosure in the banking companies listed in Indonesia Stock Exchange 2010-2013.
- Liquidity has insignificant effect on enterprise risk management disclosure in the banking companies listed in Indonesia Stock Exchange 2010-2013.
- Type of auditor has a positive and significant effect to enterprise risk management disclosure in the banking companies listed in Indonesia Stock Exchange in 2010-2013with the contribution of a given partial effect of 9.5%.

3. Adjusted R-square value that is obtained from the sample of 100 companies about 54.9%. It shows that the effect of independent variables that are firm size, leverage, management ownership, public ownership, profitability, liquidity and the type of auditor to enterprise risk management disclosure can be explained by the model of this equation by 54.9% and the rest is 45.1% affected by other factors outside of the study.

LIMITATIONS

1. The basis to measure the enterprise risk management disclosure by using disclosure index is obtained from the data interpretation when reading the annual report of the company, so it may be affected by the degree of researcher's carefulness and subjectivity when reading the annual report.
2. Samples that is used are only banking company that can not provide a general overview about the enterprise risk management disclosure of companies in Indonesia.

SUGGESTIONS

Based on some of the limitations of the study that has been disclosed, then the advice that can be given for further research as follows:

1. In the next research, it would be better if next researchers add some companies characteristics variables such as institutional ownership and etc.
2. In the next research, may involve some people to assess an annual report, so that the problem of subjectivity in the detail degree assessment of the information will also be resolved.
3. The next researchers can be put on a sample of the entire sector companies listed on the Stock Exchange so that it can provide an overview of enterprise risk management disclosure of companies in Indonesia

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