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EFFECT OF SHARE OWNERSHIP CONCENTRATION, AUDIT COMMITTEE MEETING FREQUENCY, TYPE OF EXTERNAL AUDITOR, AND RISK MONITORING COMMITTEE SIZE ON OPERATIONAL RISK DISCLOSURE IN NON-BANK FINANCIAL SERVICES INSTITUTIONS (LJKNB) FOR THE 2019-2023 PERIOD

Jane Naomi[1], Lolita Akbar[2], Ardila Galuh Savitri[3], Rachmi Syamsi[4], Dewi Hanggraeni[5]
Universitas Indonesia[1,2,3,4,5], Universitas Pertamina[1,5]
jane.naomi31@office.ui.ac.id[1], lolita.akbar@ui.ac.id[2], ardila.galuh@office.ui.ac.id[3], rachmi.syamsi@office.ui.ac.id[4], dewi_hanggraeni@yahoo.com[5]

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ABSTRACT

In an increasingly complex global business environment, effective corporate governance is one of the main pillars to maintain economic stability and encourage sustainable growth in the financial sector. This study aims to analyze the Effect of Share Ownership Concentration, Audit Committee Meeting Frequency, Type of External Auditor, and Risk Monitoring Committee Size on Operational Risk Disclosure in Non-Bank Financial Services Institutions (LJKNB) for the 2019–2023 Period. The content analysis method was used to collect operational risk disclosure data from the annual reports of 42 LJKNB listed on the IDX during the period 2019 to 2023. Using GLS regression analysis, this study shows the influence of governance on the disclosure of operational risks quantitatively and qualitatively. The results show that the concentration of share ownership, the number of audit committee meetings, and the external auditors of the Big 4 have a significant positive effect on the disclosure of quantitative operational risks, while the number of risk monitoring committees has a significant negative effect. The four governance variables did not have a significant effect on the qualitative disclosure of operational risks.

Introduction

In an era of increasingly fierce global competition, corporate governance is a key factor in maintaining the stability and sustainability of the financial sector (Ho, 2005). In Indonesia, Non-Bank Financial Services Institutions (LJKNB) have a strategic role in supporting financial inclusion and risk diversification through services such as insurance, multifinance, pension funds, and other financial institutions supervised by the Financial Services Authority (OJK). LJKNB contributes greatly to the provision of financial services to underserved communities while strengthening domestic financial stability (Tripalupi & Anggahegari, 2020). However, the high operational risks inherent in LJKNB activities require the implementation of strong governance to ensure efficiency, transparency, and effective risk mitigation. In recent decades,

attention to operational risk management in the financial sector has increased in an effort to reduce potential losses. This is due not only to certain regulatory considerations, but also to the occurrence of huge operational losses in the financial sector (Neifar & Jarboui, 2018). Operational risks include system failures, human error, and weaknesses in internal processes and controls, which can have serious implications for a company's sustainability. These risks can disrupt the company's daily operations and have an impact on business sustainability. Therefore, effective operational risk management is very crucial for LJKNB. One of the main indicators of good risk governance is the disclosure of operational risks, which reflects the transparency of the company in communicating the risks faced to stakeholders (Abraham & Cox, 2007).

Operational Risk Management (ORM) and its disclosure practices in financial institutions have recently attracted significant attention from academics, professionals, and regulators (Helbok & Wagner, 2006). The Financial Services Authority (OJK) has issued regulations such as OJK Regulation No. 44/POJK.05/2020 concerning the Implementation of Risk Management for Non-Bank Financial Services Institutions, which requires LJKNB to implement risk management effectively, covering strategic, operational, insurance, credit, market, liquidity, legal, compliance, and reputation risks. This regulation aims to encourage transparency, increase stakeholder trust, and reduce information asymmetry between companies and related parties. Many LJKNBs only provide risk reports that are formal in nature to meet regulatory obligations, without providing information that is truly comprehensive and relevant to stakeholders. This reduces the value of transparency, which should be the main pillar of corporate governance. One example is the annual report which contains the disclosure of operational risks. Some companies simply list common risks without providing an in-depth analysis of their impact or mitigation measures taken. For example, an insurance company might report information technology risks in general, but not explain the specific impact of system failures on the claims process or customer service. The obstacles that are often faced are the lack of human resources with adequate risk management competencies, as well as the absence of an internal mechanism to evaluate the quality of risk disclosure. This shows that there is a gap between the expected regulations and the implementation that occurs on the ground.

Agency theory is the main conceptual foundation in this research. This theory emphasizes the importance of a supervisory mechanism to reduce conflicts of interest between the principal and the management (agent). In the context of risk disclosure, this conflict can occur when management is reluctant to disclose the actual operational risks in order to maintain the company's image. Governance mechanisms, such as audit committees and risk monitoring committees, are designed to mitigate these conflicts by ensuring risk disclosures are transparent. In addition, stakeholder theory broadens the perspective by emphasizing that operational risk disclosure is not only important for shareholders but also for other stakeholders, including employees, customers, regulators, and the wider community.

The main problem behind this study is the low level of operational risk disclosure in the Non-Bank Financial Services Institution (LJKNB) sector in Indonesia. Although existing regulations have established comprehensive risk disclosure standards, many LJKNB companies only meet the requirements in a minimalist manner. Risk disclosures often do not provide substantial and in-depth information to stakeholders, making it difficult for them to

accurately evaluate the company's operational risks. This indicates that there is a gap between regulatory expectations and implementation on the ground, which can weaken stakeholder confidence in corporate transparency.

In addition, the lack of empirical research that specifically discusses the disclosure of operational risks in the LJKNB sector is a challenge in itself. Most previous studies focused more on the banking sector or public companies in general, which have different governance and risk characteristics. The LJKNB sector, which includes insurance, multifinance, and pension funds, has unique operational risk dynamics, including reliance on information technology systems, complex manual processes, and exposure to external risks. However, research exploring the factors that affect operational risk disclosure in this sector is still rare, so there is a gap in the relevant academic literature.

Previous research has discussed the importance of risk disclosure in corporate governance, but most studies have been conducted on the banking sector or public companies in developed countries (Abraham & Cox, 2007). Research on operational risk disclosure in the LJKNB sector in Indonesia is still limited, although this sector has different risk and regulatory characteristics (Fitriana & Wardhani, 2020). This creates a gap in the literature that needs to be filled with more in-depth empirical research. Using panel data from 2019 to 2023, the study aims to identify the factors influencing operational risk disclosure in LJKNB and provide evidence-based recommendations for regulators and industry players.

In addition, the international literature has extensively discussed the relationship between corporate governance and risk transparency. Most of the studies were conducted in developed countries, where market structures, regulations, and corporate governance dynamics differ significantly from the Indonesian context. The LJKNB sector in Indonesia has unique characteristics that are influenced by local regulations, diverse levels of financial literacy, and different market structures. This creates a gap in the existing literature and highlights the need for more specific research in this sector. Thus, this study aims to explore the dynamics of operational risk transparency in the LJKNB sector by considering the unique regulatory and market context in Indonesia.

Furthermore, the understanding of the factors that affect operational risk disclosure is also still limited. Existing literature has highlighted the importance of elements such as the concentration of shareholding, the frequency of audit committee meetings, and the role of external auditors. However, research on how these factors interact with each other in influencing operational risk disclosure is still inadequate. This limitation indicates the need for more comprehensive research to understand the dynamics of risk disclosure in the LJKNB sector. Therefore, this study seeks to fill this gap by providing a more in-depth and relevant empirical analysis for the LJKNB sector in Indonesia.

This research relies on a strong theoretical framework to identify factors that affect the disclosure of operational risks in Non-Bank Financial Services Institutions (LJKNB). One of the main factors is the concentration of shareholding, which refers to an ownership structure with the dominance of majority shareholders. The literature shows that concentrated ownership can provide greater control to majority owners, allowing them to influence strategic policies, including risk management and transparency. Majority owners usually have a great stake in

ensuring effective risk management to protect their investments, although in some cases this can reduce disclosure if they have an incentive to hide certain risks. The frequency of audit committee meetings is also an important element in risk governance. The frequency of audit committee meetings allows its members to provide assessments related to the selection of accounting principles, disclosures, and estimates used by the Company (Greco, 2011). An active audit committee, through a high frequency of meetings, is believed to be able to increase supervision of the risk management process. This activity reflects the company's level of commitment to transparency and accountability, as audit committee meetings are typically used to evaluate risk disclosures as well as ensure regulatory compliance.

Furthermore, the type of external auditor plays a significant role in strengthening the credibility of the operational risk disclosure report. External auditors who are independent and reputable in the market tend to be more trusted by stakeholders in auditing company reports, resulting in reports that are more transparent and free from bias. Finally, the size of the risk monitoring committee is also an important determinant. Larger committees tend to have members with diverse backgrounds and expertise, which can help identify and manage operational risks more effectively. This diversity of expertise allows companies to understand risks from multiple perspectives, improve the quality of risk management, and encourage more comprehensive information disclosure.

This research offers a significant contribution in understanding the disclosure of operational risks in the LJKNB sector through several aspects of novelty. First, this study integrates various variables that were previously often studied separately. These variables include governance factors, such as the frequency of audit committee meetings and the size of the risk monitoring committee, ownership structure such as the concentration of share ownership, and external factors such as the type of external auditor. The integration of these variables in a single analytical framework provides a more holistic picture of the factors that affect operational risk transparency.

Second, this research specifically focuses on the LJKNB sector in Indonesia. Most previous studies have highlighted the banking sector or public companies in general, while the LJKNB sector has different risk and regulatory characteristics. By focusing attention on LJKNB, this research contributes to filling the literature gap related to sectors that receive less attention despite having an important role in the Indonesian financial system.

Third, this study uses a longitudinal approach with panel data from the period 2019 to 2023. The use of longitudinal data allows for the analysis of trends and dynamics of operational risk disclosure and provides more comprehensive insights (Xu et al., 2019). This approach allows for a more in-depth analysis of trends and dynamics of operational risk disclosure over the past five years. Using longitudinal data, the study was able to identify patterns of change as well as factors that consistently affect operational risk transparency over time, which are often overlooked in cross-sectional studies.

The main objective of this study is to identify and analyze the influence of several factors on the level of operational risk disclosure. First, this study aims to evaluate the effect of stock ownership concentration on operational risk disclosure. Concentrated ownership is often associated with a greater degree of control by majority shareholders, which can influence a company's strategic policies, including risk management transparency.

The second objective is to explore the impact of the frequency of audit committee meetings on operational risk disclosure. An active audit committee with a regular meeting schedule reflects a higher level of oversight of the company's risk management, so it is expected to encourage information transparency. Third, this study examines the role of external auditors in influencing the credibility and disclosure of operational risk reports. Independent and reputable external auditors are considered to be able to increase stakeholder confidence in the published risk reports.

Fourth, this study assesses the contribution of the size of the risk monitoring committee to the disclosure of operational risks. Larger committees typically have members with diverse expertise that can strengthen a company's ability to identify and manage operational risks effectively. Finally, this study aims to provide empirical-based recommendations that can be used by regulators, policymakers, and industry players to improve governance practices and risk disclosure in LJKNB.

In addition, this study uses an empirical approach based on panel data to provide a more in-depth and robust analysis. The data panel was chosen because of its ability to capture cross-sectional and time-series variations, resulting in more comprehensive results than static data approaches. The variables used in this study include dependent variables, namely the Qualitative and Quantitative Operational Risk Disclosure Index, which are measured to evaluate the extent to which operational risks are disclosed by the company.

As independent variables, this study involves the concentration of stock ownership, the number of audit committee meetings per year, the type of public accounting firm (Big4 or non-Big4), and the size of the risk monitoring committee. These variables were chosen because of their relevance in influencing the level of operational risk disclosure as identified in previous literature. In addition, the control variables used include the size of the company (measured in billions of assets) and the risk measurement approach, which reflects whether the company has a formal risk measurement mechanism.

To analyze the relationship between variables, this study applies the Generalized Least Squares (GLS) regression method to panel data. The GLS method was chosen because it was able to overcome heteroscedasticity and autocorrelation that often appeared in the panel data, so that the estimation results were more efficient and reliable. With this analytical framework, the research is expected to provide applicable recommendations for the industry as well as in-depth insights to support evidence-based decision-making.

Research Methods

Sample and Data Selection

The final sample consisted of 42 Non-Bank Financial Services Institution Companies listed on the Indonesia Stock Exchange. The initial sample includes 57 companies. After going through the selection process, the sample used was 42 companies. First, we need to remove the company whose annual report is not available, then the company that has some reports or data missing. Our final data is collected from annual reports and/or reference documents available on the websites of the relevant banks for the financial years 2019, 2020, 2021, 2022 and 2023. Details of the sampling procedure are presented in Table 1.

Table 1 Sample Selection Stages

Sample Selection Stages	
Initial sample	57
Exclusion of companies whose annual report data is not available	7
Exclusion of companies whose annual report data is incomplete	8
Final Sample	42
Research period	5
Total observations	210

Regression Model

To verify the research hypothesis, we applied a statistical methodology by implementing two linear panel regressions. We will test the effect of corporate governance mechanisms on the quantity (first regression (1)) and quality (second regression (2)) of OR disclosure for the entire sample. The model used according to the research of (Neifar & Jarboui, 2018) with modifications is as follows:

Equation 1

$$QNOR = \alpha + \beta 1CONC + \beta 2ACOMF + \beta 3BIG + \beta 4RCSIZE + \beta 5FSIZE + \beta 6RMA + \varepsilon$$

Equation 2

$$QLOR = \alpha + \beta 1CONC + \beta 2ACOMF + \beta 3BIG + \beta 4RCSIZE + \beta 5FSIZE + \beta 6RMA + \varepsilon$$

Information:

QNOR	= Operational Risk Disclosure Quantity Index
QLOR	= Operational Risk Disclosure Quality Index
CONC	= Percentage of largest shareholders
ACOMF	= Number of audit committee meetings in a year
BIG	= Presence of Big4 external auditors
RCSIZE	= Number of members of the risk monitoring committee
FSIZE	= Company size (total assets)
RMA	= Risk measurement approach

The dependent variable in this study is the operational risk disclosure index. The measurement of operational risk disclosure variables is adopted from the content analysis method obtained from the analysis of the company's annual report. Annual reports are used in this study because of their wide scope and availability. (Krippendorff, 2018) describes content analysis as "viewing data as a representation not of physical events but of texts, images, and expressions that are made to be seen, read, interpreted, and acted upon for their meaning, and therefore must be analyzed with such usage in mind". In our research, the main objective is to attract qualitative, quantitative, financial and non-financial data related to operational risks in LKJNB companies. The data is collected manually and encoded according to the coding instrument. The disclosure index is compiled based on the research of (Neifar & Jarboui, 2018) with modifications.

The quantitative and qualitative operational risk disclosure indices are calculated using the formula:

$$QNOR = \frac{\Sigma_{i=1}^{n} x_{ij}}{n_j}$$

$$QLOR = \frac{\Sigma_{i=1}^{n} x_{ij}}{n_j}$$

nj= Number of components expected to be disclosed by the company j.
Xi,j = Number of components disclosed by company j.
i= 1 if there is a disclosure, 0 if there is no disclosure

Based on the results of previous theoretical and empirical research, the specific characteristics of LJKNB's corporate governance and the availability of data, four corporate governance mechanisms were included as independent variables in the research model, namely: (1) the composition of the largest shareholders, (2) external auditors (3) the number of audit committee meetings and (4) the number of members of the risk monitoring committee (Al-Hadi et al., 2016; Neifar & Jarboui, 2018). The study included two control variables, namely the size of the company (total assets) and the company's risk measurement approach.

Results and Discussion

Assumption Testing

This research model focuses on panel data to exploit the temporal dimension (5 years) and the individual dimension (42 companies of Non-Bank Financial Services Institutions). Non-Bank Financial Services Institutions are institutions that carry out activities in the insurance, pension fund, and financing institutions sectors (OJK), 2014). Several tests need to be performed to qualify the panel data, including multicollinearity testing and heteroscedasticity testing. The selection of the model was carried out by the Chow test, the Haussmann test, and the Lagrange multiplier test. The Chow test is used for the selection between fixed effect and common effect models. The hausman test is used to compare fixed effect or random effect models. Meanwhile, the Lagrange Multiplier test is a test to determine the Common Effect or Random Effect model. Based on the test results, it is known that the model with the variable QN_{OR} uses the fixed effect model (FEM), while the model with the QLOR variable uses the random effect model (REM).

Multicollinearity

Before conducting the regression analysis, multicollinearity was tested using the Variance Inflation Factor (VIF) to detect the presence of noise in the model. Table 1 shows that no independent variable has a tolerance value of less than 0.100 which means there is no correlation between independent variables. The VIF value does not exceed 10 for all variables, so multicollinearity does not occur. Thus, it can be concluded that this model does not have a correlation between independent variables (non-multicollinearity) (Gujarati, 1995).

Table 2 Multicollinearity Test

Var. Independent	VIF	Tolerance
Ownership Concentration	7.55	0.133
Audit Committee Meeting	4.63	0.216
Auditor's Type	1.31	0.764
Risk Committee Size	3.02	0.331
Var. Control		
Firm Size	6.69	0.149
RMA	1.76	0.569

Heteroscedasticity

Heteroscedasticity testing is used to test whether the variance in the model is not fixed. It is known that the model with the QLOR dependent variable uses the REM model where the Random Effect Model (REM) model treats the interference variable or error as a random component and accommodates the GLS method so that heteroscedasticity testing is not required.

In the model with the QNOR dependent variable, it is known that the chi square test statistic has a value of 0.00003 with a p-value of 0.000. The p-value < a significant level, which means that heteroscedasticity or variance occurs in the model is not fixed.

Table 3 Heteroskedastitias Test

Statistics	QNOR
$\chi 2$	0.00003
p-value	0.000

Descriptive Statistics

Table 4 shows the descriptive statistics for corporate governance variables used in the analysis of the bank sample in this study. The table shows the minimum, maximum, statistical average and standard deviation values.

Table 4 Descriptive Statistics

	Mean	Stdev	Min	Max
Quantitative Operational risk disclosure	0.147	0.052489	0	0.31
Qualitative Operational risk disclosure	0.494381	0.178084	0.15	0.92
Ownership Concentration	54.67907	20.51352	2.9	92.07
Audit Committee Meeting	4.77619	2.590451	2	15
Auditor's Type	0.190476	0.393615	0	1
Risk Committee Size	1.942857	1.615289	0	9
Firm Size	7.841715	1.895492	3.73767	12.37286
RMA	0.438095	0.497339	0	1

The average quantitative operational risk disclosure was 0.147 with a standard deviation of 0.052, indicating a relatively low variation. The average qualitative operational risk disclosure was higher, at 0.494, with a standard deviation of 0.178, which indicates greater variation compared to quantitative disclosure. The range is between 0.15 to 0.92, indicating that almost all companies are qualitatively disclosing this risk. This indicates that many companies are still reluctant or unable to disclose their operational risks in the form of concrete figures. This could be due to the complexity of quantitatively measuring operational risk or the lack of awareness of the importance of quantitative disclosure.

The concentration of holdings varies widely with an average of 54.67907 and a very high standard deviation, 20.51352. The range from 2.9 to 92.07 shows significant differences in the concentration of shareholding between companies, with some companies being highly concentrated and others more dispersed. A high concentration of ownership can have implications for potential conflicts of interest and a decrease in the quality of supervision (Herlambang and Hapsari, 2023). The average number of audit committee meetings is about 4.78 per year with a standard deviation of 2.59, indicating moderate variation. The average frequency of audit committee meetings shows that most companies have carried out their functions quite well. However, the range ranges from 2 to 15 meetings, which means some companies only meet the meeting minimum, while others hold meetings very frequently. The average risk committee size is about 1.94 members with a standard deviation of 1.62. The number of committee members varies from 0 to 9, indicating that some companies do not have a risk committee, while others have a relatively large committee size. In accordance with POJK No.73/POJK.05/2016 concerning Good Corporate Governance for Insurance Companies, POJK No. 29/POJK.05/2020 for Financing Companies, and POJK No. 27 of 2023 for Pension Fund Business, companies are required to form a Risk Monitoring Committee consisting of a minimum of 3 (three) people, of which 1 person acts as the Chairman of the Committee and 2 people as Committee Members. This indicates that there are companies that do not have a risk committee or have less than the number of risk committee members required by the regulations, indicating non-compliance with applicable regulations. This can have implications for the quality of corporate governance and risk management implemented.

The company size, measured in logs, has an average of 7.84 and a standard deviation of 1.89, with a range from 3.74 to 12.37. This shows the research sample covers different types of companies, ranging from small companies to large companies.

Multivariate Regression Analysis

Table 5 Multivariate regression results

	QNOR			QLOR		
	Coef.	z-stat	P > |z|	Coef.	z-stat	P > |z|
CONC	0.00147	2.26	0.024	0.00026	0.42	0.676
ACOMF	0.0080	6.83	0.000	0.0052	1.55	0.121

BIG	0.0145	2.77	0.006	0.0343	1.07	0.286
RCSIZE	-0.0068	-5.96	0.000	0.0016	0.25	0.805
FSIZE	-0.0009	-1.27	0.205	-0.0031	-1.18	0.237
RMA	0.01031	3.39	0.001	0.1074	3.93	0.000
Constant.	0.1129	12.98	0.000	0.4191	8.42	0.000
	Rsquare=	0.1427	chi = 4.54	R square = 0.1064		chi = 21.56

This study uses GLS regression analysis to examine the influence of corporate governance mechanisms on the disclosure of Operational Risk (OR) for quantitative (QNOR) and qualitative (QLOR) for all samples. Based on the regression results in table 5, the following results are obtained:

- **The effect of corporate governance mechanisms on the disclosure of Operational Risk (OR) for quantitative (QNOR)**

  Based on the regression results in table 5, the regression equation model for QNOR is obtained as follows:

$$QNOR=0.1129+0.00147x1+0.0080x2+0.0145x3-0.0068x4-0.0009x5+0.01031x6$$

The regression coefficient for Ownership concentration is 0.00147. This coefficient has a positive value, meaning that when the value of Ownership Concentration increases, the Operational risk disclosure quantitative will increase. When the value of Ownership concentration decreases, the Operational risk disclosure quantitative will decrease. From the results of the calculation, a p-value < significance level ($\alpha = 0.05$) was obtained, which means that ownership concentration had a significant positive effect on operational risk disclosure quantitative. The results of this study are in accordance with previous research which stated that the concentration of stock ownership has a positive effect on the disclosure of operational risks (Neifar & Jarboui, 2018).

The regression coefficient for Audit committee meeting is 0.0080. This coefficient has a positive value, meaning that when the number of audit committee meetings increases, the Operational risk disclosure quantitative will increase. When the Audit committee meeting decreased, the Operational risk disclosure quantitative also decreased. From the calculation results, a p-value < significance level ($\alpha = 0.05$) was obtained, which means that the audit committee meeting had a significant positive effect on the operational risk disclosure quantitative. This is in line with previous research by (Greco, 2011), which showed that the frequency of audit committee meetings increases their effectiveness in overseeing a company's financial reporting practices. Audit committee meetings include evaluation of accounting principles, information disclosure, and estimation. Regular meetings empower committees to better fulfill their governance responsibilities and monitor the company more effectively. In addition, a higher frequency of meetings can prevent fraudulent activities (Cheng et al., 2006) and improve the quality of information disclosure (Allegrini & Greco, 2013).

The regression coefficient for auditor type is 0.0145. This coefficient explains that when the variable auditor type (1) is an external auditor from the Big Four, the value of the operational risk disclosure quantitative will be 0.0145 units greater than that of the auditor

type (0), namely the external auditor not from the Big Four. From the results of the calculation, a p-value < significance level (α = 0.05) was obtained, which means that auditor type (1) has a significant influence on operational risk disclosure quantitative. This is in accordance with the research of Ruwita and Harto (2014) and Wardhana and Cahyonowati (2013). Large public accounting firms such as the Big Four often encourage clients to provide more transparent information to maintain audit quality and public trust.

The regression coefficient for Risk committee size is -0.0068. This coefficient has a negative value, meaning that when the number of Risk committee sizes increases, the Operational risk disclosure quantitative will decrease. When the Risk committee size decreases, the Operational risk disclosure quantitative will increase. From the results of the calculation, a p-value < significance level (α = 0.05) was obtained, which means that the risk committee size has a significant negative effect on Operational risk disclosure.

The regression coefficient for firm size is -0.0009. This coefficient has a negative value, meaning that when the firm size increases, the Operational risk disclosure quantitative will decrease. When the firm size decreases, the Operational risk disclosure quantitative will increase. From the results of the calculation, a p-value > significance level (α = 0.05) was obtained, which means that firm size has a negative and insignificant effect on the Operational risk disclosure quantitative.

The regression coefficient for the risk measurement approach is 0.01031. This coefficient explains that when the variable risk measurement approach uses the standard approach (1), the value of the Operational risk disclosure quantitative will be 0.01031 units greater than the risk measurement approach using other approaches (0). From the results of the calculation, a p-value < significance level (α = 0.05) was obtained, which means that the risk measurement approach (1) has a significant influence on the Operational risk disclosure quantitative.

From the calculation results, this model has an F value of 4.50 > F table so it can be concluded that this model is significant. With an R square value of 14.27%, it means that the variables Ownership Concentration, audit committee meeting, auditor type, risk committee size, firm size, and risk measurement approach contribute 14.27% to the Operational risk disclosure quantitative while the other 85.73% are explained by other variables.

- **The effect of corporate governance mechanisms on qualitative Operational Risk (OR) disclosure (QLOR)**

Based on the regression results in table 5, the regression equation model for QLOR is obtained as follows:

$$QLOR=0.4191+0.00026x1+0.0052x2+0.0343x3+0.0016x4-0.0031x5+0.1074x6$$

The regression coefficient for Ownership concentration is 0.00026. The regression coefficient has a positive value, meaning that when the value of Ownership concentration increases, the Operational risk disclosure qualitative will increase. When the value of Ownership concentration decreases, the Operational risk disclosure qualitative will also decrease. From the results of the calculation, a p-value > significance level (α = 0.05) was

obtained, meaning that Ownership concentration had a positive and insignificant effect on Operational risk disclosure qualitative.

The regression coefficient for the Auditor committee meeting is 0.0052. This coefficient has a positive value, meaning that when the number of audit committee meetings increases, the Operational risk disclosure qualitative will increase. When the number of audit committee meetings decreases, the qualitative operational risk disclosure will also decrease. From the calculation results, a p-value > significance level ($\alpha = 0.05$) was obtained, which means that the audit of the committee meeting had a positive and insignificant effect on the Operational risk disclosure qualitative. The results of this study are in line with previous research, where the number of audit meetings each year produced insignificant results on the quality of operational risk disclosure (Yoso, A., Christopher, D., Dessen, L. S. P., Putri, L. S., Anisah, L., & Hanggraeni, 2021).

The regression coefficient for auditor type is 0.0343. This coefficient explains that when the auditor type variable (1) is an external auditor from the Big Four, the Operational risk disclosure qualitative value will be 0.0343 units greater than that of auditor type (0), namely external auditors not from the Big Four. From the calculation results, a p-value > significance level ($\alpha = 0.05$) was obtained, which means that auditor type (1) has a positive and insignificant effect on Operational risk disclosure qualitative.

The regression coefficient for Risk committee size is 0.0016. This coefficient has a positive value, meaning that when the number of Risk committee sizes increases, the Operational risk disclosure qualitative will increase. Similarly, when the number of Risk committee sizes decreases, Operational risk disclosure qualitative will decrease. From the results of the calculation, a p-value > significance level ($\alpha = 0.05$) was obtained, which means that the risk committee size had a positive and insignificant effect on the operational risk disclosure qualitative.

The regression coefficient for firm size is -0.0031. This coefficient has a negative value, meaning that when the firm size value increases, the Operational risk disclosure qualitative will decrease. When the Firm size value decreases, the Operational risk disclosure qualitative will increase. From the results of the calculation, the p-value > significance level ($\alpha = 0.05$) was obtained, which means that firm size has a negative and insignificant effect on operational risk disclosure qualitatively.

The regression coefficient for the risk measurement approach is 0.1074. This coefficient explains that when the variable risk measurement approach uses the standard approach (1), the value of the operational risk disclosure qualitative will be 0.1074 units greater than that of the risk measurement approach using other approaches (0). From the calculation results, the p-value < the significance level ($\alpha = 0.05$) was obtained, which means that the risk measurement approach (1), namely the standard approach, has a significant effect on the operational risk disclosure qualitative.

From the calculation results, this model has a chi value < table chi, so it can be concluded that this model is significant. With an R square value of 10.64%, it means that Ownership Concentration, audit committee meeting, auditor type, risk committee size, firm size, and risk measurement approach contribute 10.64% to Operational risk disclosure qualitative while the other 89.36% is explained by other variables.

Conclusion

This research makes an important contribution to understanding the influence of corporate governance on the disclosure of operational risks in the Non-Bank Financial Services Institution (LJKNB) sector in Indonesia. Based on the analysis of panel data for the 2019–2023 period, it was found that governance variables such as the concentration of share ownership, the frequency of audit committee meetings, and the existence of the Big 4 external auditors had a significant positive influence on the quantitative disclosure of operational risks. These findings confirm that the ownership structure and oversight mechanisms through the audit committee play a strategic role in improving operational risk transparency.

However, the size of the risk monitoring committee shows a significant negative influence on the quantitative disclosure of operational risks, indicating that the oversized structure of the risk monitoring committee may become less efficient in ensuring the transparency of risk management. Meanwhile, no significant influence of all governance variables was found on qualitative operational risk disclosure, which shows that the quality of disclosure is more influenced by non-quantitative factors such as organizational culture or management's perception of the importance of risk disclosure.

Therefore, this study concludes that the concentration of share ownership, the frequency of audit committee meetings, and the type of external auditors of the Big 4 have a significant positive influence on the quantitative disclosure of operational risks in Non-Bank Financial Services Institutions (LJKNB) during the 2019–2023 period. In contrast, the size of the risk monitoring committee showed a significant negative influence. However, the four governance variables did not have a significant effect on the qualitative disclosure of operational risks. These findings emphasize the importance of strengthening corporate governance to increase operational risk transparency in the LJKNB sector.

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