

# Effect of Risk Management Disclosures on Firm Value in Bei Listed Transportation Companies

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## ABSTRACT

The problem in this research is "how far the effect of risk management disclosure which consists of financial risk and operational risk on the corporate value of transportation companies listed on the IDX". The objective of this research is for knowing and analyzing the effect of financial risk and operational risk partially and simultaneously on the corporate values.

The population of this research are transportation companies listed on the BEI as much as 33 companies for the period 2013 – 2015. Sampling method in this research is using purposive sampling for 17 samples. Type of data used is secondary data and the method of collecting data used is documentation method by downloading annual report from IDX website. Data analysis techniques used are descriptive statistical analysis, classic assumption test, multiple linear regression analysis, and hypothesis testing.

The result, it was concluded that risk management disclosure partially and simultaneously are not effect to corporate value.

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## 1. INTRODUCTION

The company's goal is to prosper the owner of the company or shareholders. This goal can be realized by maximizing the value of the company. The value of the company is very important because a high company value will be followed by high shareholder prosperity. The role of the executive in the company is to maximize financial performance, financial growth and risk management. The three roles are efforts to maximize the value of the company.

Risk is the possibility of loss. The word possibility denotes an uncertain condition. The risk must be managed so that the company can minimize losses. Companies are faced with business risks and non-business risks. Business risk is a risk related to the company's activities/business while non-business risk is a risk that cannot be controlled by the company.

There are many ways that companies do to avoid the risks that occur, namely by implementing risk management. Starting in 2000, many ways have been used to persuade companies, especially the financial industry, to implement risk management. For example, the Committee of Sponsoring Organization of the Treadway Commission (COSO) in 2004 launched the Enterprise Risk Management Integrated Framework. In the same year the New York Stock Exchange (NYSE) published corporate governance which requires audit committees to involve risk misstatements. In

2010 the Securities and Exchange Commission (SEC) introduced new regulations to increase risk including disclosure and annual reports.

Risk management must be adequate so that it can be used as a careful and appropriate decision-making tool. Stakeholder demands for more transparent disclosures make the company expand on financial and non-financial information that is considered relevant.

Research conducted by Widodo, Rohman, and Yudawijaya (2013:13), found that empowerment risk had a positive effect on firm value, while financial risk and operational risk had a negative effect on the value of mining companies. Companies that are able to disclose financial risk in the annual report are companies that have high profitability. Companies that provide operational risk disclosure information so that the company has a high value to stakeholders. The more empowerment risks are disclosed, the higher the value of the company.

According to Salim A. Abbas (2005:201) "the goal to be achieved with risk management is to manage the company in order to prevent the company from failing, reduce expenses, increase profits, reduce production costs, and so on"

The benefits of risk management that can be contributed by risk management according to Darmawi (2008:11) are:

- a. Risk management may be able to prevent the company from failure
- b. Risk management can increase company profits
- c. Risk management can contribute profits indirectly
- d. Peace of mind for managers
- e. Improving public image".

The focus of this risk management is the identification and treatment of risks with the aim of adding sustainable value to all company activities. Risk management must be continuously implemented and developed so that the company's strategy can be implemented. Risk management should also be integrated into the corporate culture with effective policies and programs led by senior managers, so that all departments, both managers and employees, are responsible for existing risk management.

## **2. RESEARCH METHOD**

The type of research used in this research is Causal-Comparative Research. According to Indriantoro (1999,27) comparative causal research is a type of research with the characteristics of the problem in the form of a causal relationship between two or more variables.

### **2.1 Population and research sample**

The population in this study were all transportation companies listed on the Indonesia Stock Exchange for the period 2013-2015, a total of 33 companies. This study uses non-probability sampling with purposive sampling.

### **2.2 Data Types and Sources**

The data used in this research is secondary data. Secondary data is research data obtained indirectly through intermediary media (obtained or recorded by other parties). The research data is sourced from the Indonesia Stock Exchange (IDX) through the website [www.idx.co.id](http://www.idx.co.id). The data taken is the annual report of transportation companies in 2013-2015.

### **2.3 Method of collecting data**

Searching for secondary data is done by tracing either manually (documentation) or electronically.

### **2.4 Data analysis technique**

#### **a. Descriptive Statistical Analysis**

Descriptive statistics in research are presented to provide information on the characteristics of research variables, especially the mean and standard deviation. Mean measurement is the most commonly used way to measure the central value of a data distribution.

### b. Classical assumption test analysis

Classical assumption test is a statistical requirement that must be met in multiple linear regression analysis. The classical assumption test that is often used is the normality test, multicollinearity test, heteroscedasticity test and autocorrelation test.

### c. Multiple Linear Regression Analysis

Multiple linear regression analysis was used to test the effect of the independent variable on the dependent variable.

### d. Research Hypothesis Test

Hypothesis testing is a procedure carried out with the aim of deciding whether to accept or reject the hypothesis regarding population parameters. Hypothesis testing in this study used the F test and t test and the determinant coefficient test (R<sup>2</sup>).

## 3. RESULTS AND DISCUSSIONS

### 3.1 Descriptive statistical analysis

This analysis includes mean, median, mode, standard deviation, variance, minimum, maximum and so on.

Table 1. Descriptive Statistics

	N	Range	Min	Max	mean	Std. Error	Std. Deviation	Variance
	Statistics	Statistics	Sta	Sta	Statistic	Std. Error	Statistic	Statistics
Financial Risk	51	.50	.13	.63	.5051	.01850	.13210	.017
Operational Risk	51	.78	.00	.78	.2141	.02473	.17660	.031
The value of the company	51	2.34	.00	2.33	.8051	.06865	.49026	.240
Valid N (listwise)	51							

The independent variables in this study are financial risk and operational risk, while the dependent variable is firm value. Financial risk and operational risk variables are measured by dividing the risk items disclosed by all risk items.

Firm value in this study is measured by Tobin's Q with the formula  $MVE + DEBT$  divided by Total Assets. MVE, DEBT, and TA values were obtained from the annual reports of transportation companies. The standard deviation value was 0.49026 (49.03%). Mark standard deviation is smaller than the mean value means the data gap is low.

### 3.2 Classic assumption test

The classical assumption test in this study was carried out using the SPSS version 18 statistical program.

#### a. Normality test

Table 2. Kolmogorov-Smirnov . Test Results

		Unstandardized Residual
N		51
Normal Parameters	mean	.0000000
	Std. Deviation	.47958828
Most Extreme Differences	Absolute	.125
	Positive	.125

	negative	-0.047
Kolmogorov-Smirnov Z		.896
asympt. Sig. (2-tailed)		.398

Normality test using the Kolmogorov-Smirnov Test, if the significance value is greater than 0.05 then the data is normally distributed. In the table above, the value of Kolmogorov Smirnov is 0.896 with a significance of 0.398 and a significance value above 0.05, it can be concluded that the data is normally distributed.

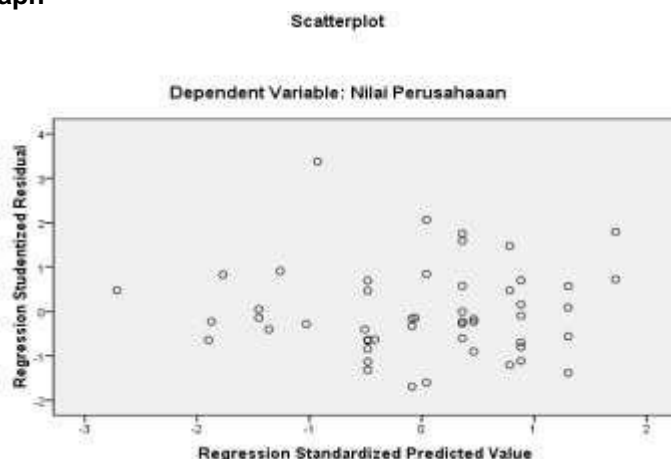
## b. Multicollinearity Test

Table 3. Value of Collinearity Statistics

Model	Unstandardized Coefficients		Std Coe	t	Sig.	Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Zero-order	party	Part	Tolerance	VIF
	1 (Constant)	.516	.274				1,887	.065		
Financial Risk	.737	.547	.199	1.347	.184	.158	.191	.190	.917	1.090
Operational Risk	-.389	.409	-.140	-.951	.346	-.083	-.136	-.134	.917	1.090

In table 3 it can be seen that the financial risk tolerance value is 0.917 and operational risk is 0.917, the tolerance value is greater than 0.10 so that there is no multicollinearity. The VIF value of the financial risk variable is 1.090 and the operational risk is 1.090, the VIF value is smaller than 10 so that there is no multicollinearity.

## c. Heteroscedasticity Test Scatterplot Graph



It can be seen in the figure that the points spread randomly above and below the number 0 on the Y axis. It is concluded that there is no heteroscedasticity.

#### d. Autocorrelation Test

Table 4. Durbin-Watson test results  
Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.208 <sup>a</sup>	.043	.003	.48948	2.206

a. Predictors: (Constant), Operational Risk, Financial Risk

b. Dependent Variable: Firm Value

The calculated DW value of 2.206 will be compared with the table value using a 5% confidence degree, the number of observations is 51, the number of independent variables is 2, then the Durbin Watson table value is  $dL = 1.4684$  and  $dU = 1.6309$ . Therefore the calculated DW value (2.206) is greater than the upper limit of 1.6309 and smaller than  $4-dU = 4-1.6309 = 2.3691$ . So it can be concluded that there is no positive and negative autocorrelation in this research model.

#### e. Multiple Linear Regression Analysis

Table 5. Results of Multiple Linear Regression Analysis  
Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Std Coe	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.516	.274		1,887	.065
	Financial Risk (X1)	.737	.547	.199	1.347	.184
	Operational Risk (X2)	-.389	.409	-.140	-.951	.346

a. Dependent Variable: Firm Value

In table 5 above, the constant value is 0.516. The coefficient value of the financial risk variable is 0.737 and the operational risk variable coefficient is -0.389 so that the multiple linear regression equation is obtained as follows.

$$\text{Firm value} = 0.516 + 0.737 X1 - 0.389 X2.$$

#### f. Research Hypothesis Testing Analysis

##### • F Test (Simultaneous Significance Test)

The F test is used to test Hypothesis 3, namely whether all independent variables included in the regression model have a simultaneous (simultaneous) effect on the dependent variable.

Table 6. F Test Results  
ANOVA<sup>b</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.518	2	.259	1080	.348 <sup>a</sup>
	Residual	11,500	48	.240		
	Total	12.018	50			

a. Predictors: (Constant), Operational Risk, Financial Risk

b. Dependent Variable: Firm Value

Based on table 6, the significance value is 0.348 which is greater than 0.05 so that the independent variables in this study simultaneously have no effect on the dependent variable.  $F \text{ count} = 1.080 < F$

table = 3.19 so H1 is not acceptable, namely the financial risk and operational risk variables simultaneously have no effect on firm value.

- **t test (Partial Significance Test)**

**Table 7. t test results  
Coefficients<sup>a</sup>**

Model	Unstd Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.516	.274		1,887	.065
Financial Risk	.737	.547	.199	1.347	.184
Operational Risk	-.389	.409	-.140	-.951	.346

a. Dependent Variable: Firm Value

In table 7 it can be seen that the significance value of the financial risk variable is 0.184 and the operational risk variable is 0.346. The significance value is above 0.05 then H1 cannot be accepted. The t-table value is 2.0106 while the t-count is 1.347 and -0.951 so that t-count < t-table then H1 cannot be accepted.

- **R2 Test (Coefficient of Determination)**

**Table 8. Value of Coefficient of Determination  
Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.208a	.043	.003	.48948

a. Predictors: (Constant), Operational Risk, Financial Risk.

In table 4.9 the value of R square is 0.043, so 4.3% of the factors that affect firm value can be explained by financial risk and operational risk, the remaining 95.7% is explained by other variables not included in this research model.

The t test results show that financial risk (0.184 > 0.05) partially has no significant effect on firm value. Based on the theory, financial risk disclosure is very important because it serves as a benchmark for investors to find out how the company pays its obligations to external parties and can provide a competitive advantage for shareholders regarding risk management.

The results of the t-test indicate that operational risk (0.346 > 0.05) partially has no significant effect on firm value. Based on the theory that companies that carry out operational risk management processes and include them in making business decisions are expected to survive more because the potential risks have been taken into account.

Based on research, that transportation companies have implemented good risk management, especially operational risk as one of good corporate governance. But the disclosure of operational risk management has no effect on firm value.

The results of the F test show that financial risk and operational risk (0.348 > 0.05) simultaneously have no significant effect on firm value. Based on the theory that a company that is able to handle financial and operational risks, the company's profit will increase and the company can improve/reduce harmful activities.

#### 4. CONCLUSION

Based on the results of the research that has been carried out and the discussion there are conclusions as follows:

- Disclosure of risk management as proxied by financial risk partially does not have a significant effect on the value of transportation companies.
- Disclosure of risk management as a proxy for operational risk partially does not have a significant effect on the value of transportation companies.
- Disclosure of risk management proxied by financial risk and operational risk simultaneously does not have a significant effect on the value of transportation companies.

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