ANALYSIS OF THE INFLUENCE OF THE SIZE OF THE BOARD OF COMMISSIONERS AND THE SIZE OF THE COMPANY ON RISK MANAGEMENT SEPARATE FROM THE AUDIT COMMITTEE (Empirical Study on Companies Incorporated in the LQ45 Index on the Indonesia Stock Exchange 2018-2020)

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Abstract

This study examines the effect of the size of the board of commissioners, and the size of the company on the formation of a separate risk management committee from the audit committee in companies that are members of the LQ45 index on the Indonesia Stock Exchange in 2018-2020. The data collection method in this study uses secondary data sources in the form of annual reports of companies that are members of LQ45. Based on the results of the study, the size of the board of commissioners has an effect on the formation of a separate risk management committee and the size of the company has no effect on the formation of a separate risk management committee.

Keywords: *Board of Commissioners Size, Company Size, Risk Management, Audit Committee.*

A. INTRODUCTION

In Indonesia, the Jakarta Stock Exchange has several types of stock indices that fall into several categories. The most well-known stock indices on the IDX are JCI (Composite Stock Price Index) and LQ45 (Liquidity 45). JCI becomes a benchmark for the performance of all stocks. JCI is the average price of shares of all shares listed on the IDX. Meanwhile, LQ45 is the average stock price of the 45 most liquid stocks in the J.J. or commonly called blue chip stocks. The larger size of the board of commissioners allows for the establishment of various committees including risk management committees (Badriyah et al.,2015).

The results of this study support the research Badriyah et al. (2015), and Diani (2013) who found that the size of the board of commissioners positively significantly affected a separate risk management committee. The size of a company can describes the size of the economies of scale of a company. According to Jensen & Meckling in (Andarini & Januarti, 2012) Large-sized companies have the potential to have the potential to deal with larger agency issues, as it is more difficult to take supervisory measures. In research (Andarini & Januarti 2012) It found that the size of the company was significantly positively related to a separate risk management committee with an audit.

Research Question

1. What is the size of the board of commissioners, the size of the company and risk management separate from the audit committee of companies that are members of the LQ45 index on the Indonesia stock exchange in 2018-2020?
2. Does the size of the board of commissioners, the size of the company affect simultaneously on risk management separate from the company's audit committee that is incorporated in the LQ45 index on the Indonesia stock exchange in 2018-2020?

3. Does the size of the board of commissioners partially affect risk management separate from the audit committee of companies incorporated in the LQ45 index on the Indonesia stock exchange in 2018-2020?
4. Does the size of the company have a partial effect on risk management separate from the company's audit committee that is included in the LQ45 index on the Indonesia stock exchange in 2018-2020?

B. LITERATURE REVIEW

1. Agency Theory

Agency theory is the relationship between the agent (management of a business) and the principal (business owner). In an agency relationship there is a contract in which one or more persons (principal) order another person to perform a service to make a decision for the principal then the agent is given the authority (Jensen & Meckling, Safitri 2013). So that agents have more information than business owners (information asymmetry). Therefore, the implementation of risk management can lower agency costs and increase the value of the company.

2. Risk Management Separate from the Audit Committee

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3. Size of the Board of Commissioners

According to OJK regulation No.33/POJK.04/2014 the board of commissioners is an organ of an issuer or public company tasked with conducting general and/or special supervision in accordance with the articles of association and advising directors. The board of commissioners is responsible for overseeing the implementation of risk management and ensuring the company has an effective risk management program. The board of commissioners' size variables are measured by:

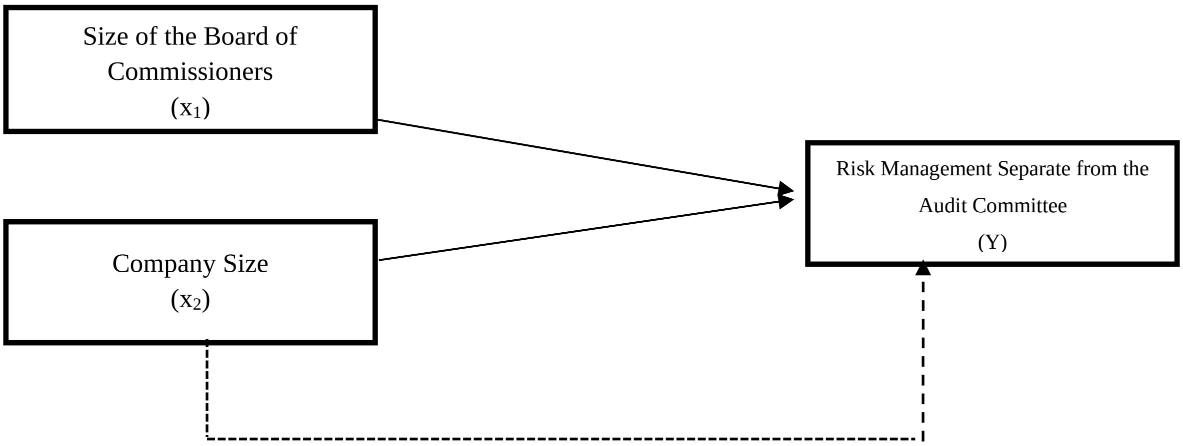
Size of the Board of Commissioners = Number of Members of the Board of Commissioners

4. Company Size

The size of a company is a value that indicates the size of a company. Large-sized companies have more complex business activities that may also have a greater impact on the wider community and the environment, resulting in more disclosure of information to show the company's accountability to the public (Kumalasari, 2014). In company size variables measured by:

Company Size = Ln x Total Asset

5. Conceptual Framework



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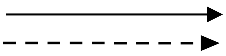

: Partial
: Simultaneous

C. METHOD

Sugiyono (2018:130) in (Imron 2019) defines a population as a generalization area consisting of objects/subjects that have certain qualities and characteristics set by the researcher to be studied and then drawn conclusions and Sugiyono (2018:131) The sample is part of the number and characteristics that the population has. The samples used from the population in the study were determined by purposive sampling techniques. Purposive sampling is a technique of determining a sample with certain considerations. The purposive sampling method used has the following criteria:

1. LQ 45 Companies listed on the Indonesia Stock Exchange from 2018-2020
2. LQ 45 companies provide annual report information and financial statements that researchers need in 2018-2020

The data used in this study is secondary data, which is research data obtained by researchers from other parties related to the data to be taken. The data in this study is the annual report and financial statements of companies listed on the Indonesia Stock Exchange (IDX) from 2018-2020 and the official website data source of the Indonesia Stock Exchange (IDX) namely www.idx.co.id.

This research uses logistic regression because the bound variable is dummy, which is risk management that is separate from the audit committee or risk management committee that is incorporated with the audit committee in a company. This research model is used to test the relationships of management committees to test the relationships of separate risk management committees and the characteristics of the board of commissioners. The regression research model equation used to determine the relationship of a separate risk management committee with independent variables is as follows: Separate Risk Management = a + b1 Size of the Board of Commissioners + b2 Company Size + e

Description:

1. Separate Risk Management from the Audit Committee:
2. Dummy variables: 0 = merged, and 1 = separate

3. Size of the Board of Commissioners: Measured by proportion of the board of commissioners
4. Company Size: Using Ln (Natural Logarithm)
5. e: Error

D. RESULTS AND DISCUSSION

Table 1 Descriptive Statistics

Variable	N	*Range Statistic*	*Minimum Statistics*	*Maximum Statistics*	*Mean*	*Std. Error*	*Deviation Standard*
Size of the Board of Commissioners	42	6.00	4.00	10.00	6.8333	1.68083	.168083
Company Size	42	3070729654.00	174715908.00	3245445562.00	1987393341.3810	121227283.73376	785642591.45082
Risk Management Separate from the Audit Committee	42	1.00	.00	1.00	.7143	.07055	0.45723
Valid N (*listwise*)	42						

Data processed by the author, 2021

Based on this study the variable size of the board of commissioners (has an average of 6.8333 with a minimum value of 4.00 and a maximum of 10.00. This shows that the average company in this study has a board of commissioners as many as 4-5 people. The company size variable has an average of 1987393341.3810 with minimum and maximum values of 174715908.00 and 3245445562.00.

Table 2 Frequency of Risk Management Variables Separate from Audit Committees

		Frequency	*Percent*	*Cumulative Percent*
Valid	Incorporated	12	28.6	28.6
	Incorporated	30	71.4	100.0
	Total	42	100.0	

Data processed by the author, 2021

Based on this study the results of calculations using the help of SPSS application program version 26, the results of risk management risk management are separate with the audit committee given a value of 1 and the company owned by the risk management committee incorporated with the audit committee is rated 0 (dummy variable). The results found that 71.4% in the study had a separate committee from the audit committee, while 28.6% in the study had a risk management committee that was incorporated with an audit committee.

Table 3 Hosmer & Lemeshow Test

Step	*Chi-square*	*df*	*Sig.*
1	12.858	8	.117

Data processed by the author, 2021

Results from the Hosmer & Lemeshow Test showed a value of 12,858 with a significant 0.117 greater than 0.05, therefore the results of this study can be concluded that the Hosmer & Lemeshow models were able to explain the data and this regression model was used for subsequent analysis.

Table 4 Results of Logistic Regression Analysis

	B	S.E.	Wald	df	Sig.	Sig/2	Exp(B)
Size of the Board of Commissioners	-.127	.219	.355	1	.563	.281	.881
Company Size	.000	.000	6.443	1	0.11	0.057	1.000
Constant	-1.687	2.240	.567	1	.451	.225	.185

Data processed by the author, 2021

Based on this research that the board of commissioners' size variables have a coefficient value of -0.127 and significance value 0.281 < 0005. This indicates that the first hypothesis is accepted, and indicates that the size of the board of commissioners positively affects the establishment of a separate risk management committee with an audit committee. This means that the larger the size of the board of commissioners, the greater the possibility of the company forming a separate risk management committee. The company size variable (size) has a coefficient value of 0.000 and significance value 0.057 > 0.05. This suggests that the second hypothesis indicates that the size of the company has no effect on the establishment of a separate risk management committee with an audit committee

E. CONCLUSIONS

This study examined variable factors influencing the establishment of a separate risk management committee on companies incorporated in the LQ45 index on the Indonesia stock exchange in 2018-2020. Therefore, the results of the analysis and discussion that have been explained earlier, can be drawn conclusions as follows:

1. The size of the Board of Commissioners has a positive influence on a separate risk management committee with an audit committee.
2. The Company's size has no influence over a separate risk management committee with an audit committee.

The advice that can be taken in this study is that the next study can add other variables that may affect the size of the company to risk management separate from the audit committee. Such as the age of the company, leverage and the type of industry, the type of industry because of the complexity that exists in each type of industry causes some industries to face a variety of complex risks as well, so it takes the size of the company against risk management separate from the audit committee.

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