International Journal of Economic, Business, Accounting, Agriculture Management and Sharia Administration (IJEBAS)

International Journal of Economic, Business, Accounting, Agriculture Management and Sharia Administration (IJEBAS Journal) | ISSN (e): 2808-4713
Volume 6 No. 4 (2026)

RISK TRANSPARENCY AND CORPORATE GOVERNANCE: KEYS TO ENHANCING FIRM VALUE IN INDONESIA'S BANKING SECTOR

Imanuriea Annisa Putri[1], Luke Suciyati Amna[2]
[1,2] Universitas Bandar Lampung, Bandar Lampung, Indonesia
E-mail: imanuriea@ubl.ac.id, luke.suciyati.amna@ubl.ac.id

Received : 04 June 2026 Accepted : 25 June 2026
Revised : 10 June 2026 Published : 28 July 2026

Abstract

This study examines the effect of Corporate Risk Disclosure (CRD) and Good Corporate Governance (GCG) on firm value in banking companies listed on the Indonesia Stock Exchange during 2022-2024. Firm value is measured using Tobin's Q, CRD through a risk disclosure index, and GCG through independent commissioners, audit committees, and institutional ownership. A quantitative explanatory design was applied. Using purposive sampling, 23 banks were selected, yielding 69 firm-year observations. Secondary data were obtained from annual reports and financial statements and analyzed using multiple linear regression. The results show that CRD has a positive and significant effect on firm value. Independent commissioners, audit committees, and institutional ownership also have positive and significant effects on firm value. These findings indicate that broader risk transparency and stronger governance mechanisms can reduce information asymmetry, strengthen investor confidence, and enhance the market value of Indonesian banking companies.

Keywords: Banking sector; Corporate risk disclosure; Firm value; Good corporate governance; Indonesia

INTRODUCTION

Firm value reflects the market's assessment of a company's performance and future prospects. In the banking sector, firm value is influenced not only by financial performance but also by the transparency of corporate information and the quality of governance. Banks face complex financial and nonfinancial risks; therefore, adequate disclosure is needed to reduce information asymmetry between management and investors. Corporate Risk Disclosure (CRD) is a transparency mechanism that explains the risks faced by a company and the efforts undertaken to manage them. Darniaty and Murwaningsari (2022) state that appropriate risk disclosure can strengthen investor confidence and positively affect firm value. Haj-Salem et al. (2020) further emphasize that risk disclosure, when combined with sound corporate governance, can reinforce market valuation.

Good Corporate Governance (GCG) is also important for improving firm value. Governance mechanisms such as independent commissioners, audit committees, and institutional ownership function as monitoring instruments that can minimize conflicts of interest between management and shareholders. Astuti et al. (2022) report that effective governance can improve transparency, accountability, and investor confidence, while Ekasari et al. (2020) show a positive relationship between corporate governance implementation and firm value. Based on this background, the study investigates banking companies listed on the Indonesia Stock Exchange for the 2022-2024 period. The objectives are to examine the effects of Corporate Risk Disclosure, independent commissioners, audit committees, and institutional ownership on firm value. The study provides empirical evidence on whether risk transparency and governance mechanisms contribute to stronger market valuation in the Indonesian banking sector.

LITERATURE REVIEW

Agency Theory

Agency theory describes the contractual relationship between company owners as principals and management as agents. Differences in objectives and access to information may create conflicts of interest and information asymmetry. In banking companies, these problems may arise when management does not fully act in shareholders' interests. Disclosure and governance mechanisms are therefore required to strengthen control, improve monitoring, and encourage management to pursue optimal firm value (Astuti et al., 2022).

Firm Value

Firm value represents investors' perceptions of corporate performance, prospects, and future risks. A high firm value indicates strong market confidence in the company (Aminah & Pemuka, 2023). This study uses Tobin's Q because it reflects the market's overall assessment of corporate assets. Darniaty and Murwaningsari (2022) argue that firm value is closely associated with information transparency and effective corporate management, particularly in high-risk industries such as banking.

Corporate Risk Disclosure

Corporate Risk Disclosure is the disclosure of financial and nonfinancial risks faced by a company together with the strategies used to manage those risks. Adequate disclosure reduces the information gap between management and investors. Haj-Salem et al. (2020) explain that transparent risk disclosure can produce a positive market response because it signals the quality of governance and risk management. Darniaty and Murwaningsari (2022) likewise find that risk disclosure has a positive effect on firm value.

Good Corporate Governance

Good Corporate Governance is a system for directing and controlling a company while balancing the interests of management, shareholders, and other stakeholders. Effective governance is expected to improve accountability and transparency and, in turn, enhance firm value. Astuti et al. (2022) identify independent commissioners, audit committees, and institutional ownership as important monitoring mechanisms. Ekasari et al. (2020) also document a positive effect of governance implementation on firm value.

Hypothesis Development

Corporate Risk Disclosure signals management's readiness to identify and manage uncertainty. Broader disclosure can reduce information asymmetry and strengthen investor confidence. Prior findings by Darniaty and Murwaningsari (2022) and Haj-Salem et al. (2020) support a positive association between CRD and firm value. Accordingly, H1 states that Corporate Risk Disclosure has a positive effect on firm value.

Independent commissioners provide objective oversight of management and help protect shareholders' interests. Their presence is expected to improve decision-making quality and reduce conflicts of interest. Astuti et al. (2022) and Ekasari et al. (2020) indicate that effective independent oversight can contribute positively to firm value. Therefore, H2 states that independent commissioners have a positive effect on firm value.

The audit committee supports the board of commissioners by overseeing financial reporting and internal control. An effective audit committee can improve corporate transparency and accountability, thereby strengthening investor confidence. Astuti et al. (2022) and Ekasari et al. (2020) associate stronger audit oversight with higher firm value. Thus, H3 states that the audit committee has a positive effect on firm value.

Institutional ownership reflects shareholdings held by institutions with the resources and capacity to monitor management. Higher institutional ownership can discourage opportunistic managerial behavior and strengthen external oversight. Haj-Salem et al. (2020) and Astuti et al. (2022) support the role of institutional ownership in enhancing governance and firm value. Therefore, H4 states that institutional ownership has a positive effect on firm value.

METHOD

Research Design, Population, and Sample

This study uses a quantitative approach with an explanatory research design. The population consists of all banking companies listed on the Indonesia Stock Exchange during 2022-2024. The sample was selected through purposive sampling based on the criteria applied in the study. A total of 23 banking companies met those criteria, producing 69 firm-year observations.

Data Sources and Variable Measurement

The study uses secondary data obtained from annual reports and financial statements. Firm value is the dependent variable and is measured using Tobin's Q. Corporate Risk Disclosure is measured through a risk disclosure index. Good Corporate Governance is represented by three mechanisms: independent commissioners, the audit committee, and institutional ownership.

Data Analysis

Data were analyzed using descriptive statistics and multiple linear regression. The empirical model estimates the effect of Corporate Risk Disclosure and the three governance mechanisms on firm value. The model is expressed as follows:

$$FV = \alpha + \beta 1CRD + \beta 2IC + \beta 3AC + \beta 4IO + \varepsilon$$

In the equation, FV denotes firm value, CRD denotes Corporate Risk Disclosure, IC denotes independent commissioners, AC denotes the audit committee, IO denotes institutional ownership, α is the constant, β1-β4 are regression coefficients, and ε is the error term. Statistical significance is assessed at the 5 percent level.

RESULTS AND DISCUSSION

Descriptive Statistics

Table 1. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
CRD	69	0.38	1.25	0.8460	0.26959
Independent Commissioners	69	0.33	0.75	0.5400	0.12785
Audit Committee	69	3	7	4.41	1.518
Institutional Ownership	69	0.077	6.930	1.59018	1.263704
Firm Value	69	0.053	88.238	3.45133	1.756676
Valid N (listwise)	69				

Source: Processed data, 2025

The descriptive statistics show that Corporate Risk Disclosure has a mean of 0.8460 with a standard deviation of 0.26959, indicating a relatively high and comparatively concentrated level of risk disclosure among the sampled banks. Independent commissioners and audit committees also display low-to-moderate variation, suggesting that governance practices are applied relatively consistently across the sample. Institutional ownership varies more widely, reflecting differences in bank ownership structures. Firm value, measured using Tobin's Q, also differs across banks, indicating variation in market perceptions of their performance and prospects.

Multiple Regression Results

Table 2. Multiple Regression Coefficients

Variable	B	Std. Error	Beta	t	Sig.
Constant	2.038	1.107		1.841	0.070
CRD	2.976	0.644	0.453	4.622	0.000
Independent Commissioners	2.799	1.361	0.202	2.056	0.044
Audit Committee	0.454	0.115	0.389	3.957	0.000
Institutional Ownership	0.156	0.077	0.199	2.016	0.048

Source: Processed data, 2025
Note: Dependent variable = Firm Value.

The regression results show that CRD has a positive and significant effect on firm value (B = 2.976; t = 4.622; p = 0.000). Independent commissioners also have a positive and significant effect (B = 2.799; t = 2.056; p = 0.044). The audit committee has a positive and significant effect (B = 0.454; t = 3.957; p = 0.000), and institutional ownership has a positive and significant effect (B = 0.156; t = 2.016; p = 0.048). Each t-statistic exceeds the study's t-table value of 1.667, and each p-value is below 0.05. Consequently, H1, H2, H3, and H4 are supported.

Effect of Corporate Risk Disclosure on Firm Value

Corporate Risk Disclosure has a positive and significant effect on firm value. This result indicates that broader disclosure of corporate risks increases investors' confidence in management's ability to identify and manage uncertainty, which is then reflected in a higher market valuation. From the agency theory perspective, transparent disclosure reduces information asymmetry between managers and shareholders. The finding is consistent with Astuti et al. (2022) and Nurmala Sari et al. (2025), who also report a positive and significant relationship between CRD and firm value.

Effect of Independent Commissioners on Firm Value

Independent commissioners have a positive and significant effect on firm value. Their presence can strengthen management oversight, improve objectivity in decision-making, and support better governance practices. In agency theory, independent commissioners operate as a control mechanism that can reduce conflicts of interest. This result is in line with Haj-Salem et al. (2020), Astuti et al. (2022), and Wahasusmiah (2022), which emphasize the positive contribution of independent oversight to firm value.

Effect of the Audit Committee on Firm Value

The audit committee has a positive and significant effect on firm value. Effective internal oversight, particularly over financial reporting, internal controls, and regulatory compliance, can improve investors' perceptions of the company. A strong audit committee can reduce agency costs and increase managerial accountability. This finding is consistent with Haj-Salem et al. (2020), Nuryono et al. (2020), and Astuti et al. (2022), who show that audit committee effectiveness is associated with higher firm value.

Effect of Institutional Ownership on Firm Value

Institutional ownership has a positive and significant effect on firm value. A higher proportion of institutional ownership can strengthen external monitoring of management and encourage improved corporate performance and transparency. The finding supports agency theory, which views institutional investors as an effective monitoring mechanism. It is consistent with Jullia and Finatariani (2024) and Nuryono et al. (2020), who find that institutional ownership contributes positively to firm value.

Research Implications

The findings reinforce the agency theory argument that information disclosure and monitoring mechanisms can operate as complementary controls. Risk transparency reduces the information gap between management and investors, while independent commissioners, audit committees, and institutional owners strengthen supervision over managerial decisions. The positive effects of all four variables indicate that firm value is supported by both transparent reporting and effective governance.

For banking companies, the results imply that risk disclosure should not be treated as a stand-alone reporting obligation. It should be supported by independent board oversight, an effective audit committee, and active institutional monitoring. Together, these mechanisms can strengthen accountability and investor confidence, which are central to market valuation in the banking sector.

CONCLUSION

This study concludes that Corporate Risk Disclosure and Good Corporate Governance have positive and significant effects on the firm value of Indonesian banking companies. More specifically, broader risk disclosure, a stronger presence of independent commissioners, effective audit committees, and higher institutional ownership are each associated with higher firm value. These results underline the importance of risk transparency and governance mechanisms in reducing information asymmetry, improving oversight, strengthening investor confidence, and enhancing market valuation.

Future studies are advised to include additional variables such as profitability, leverage, or audit quality and to extend the research object to other industrial sectors. Such extensions may provide a broader understanding of the factors that shape firm value beyond the Indonesian banking sector.

REFERENCES

Aminah, A., & Pemuka, R. D. (2023). Kinerja keuangan, pengungkapan corporate social responsibility: Dampaknya pada nilai perusahaan: Studi kasus pada perusahaan manufaktur sektor industri barang konsumsi yang terdaftar di Bursa Efek Indonesia tahun 2019-2022. SINOMIKA Journal: Publikasi Ilmiah Bidang Ekonomi dan Akuntansi, 1(5), 1127-1134.

Astuti, P., Chomsatu, Y., & Astungkara, A. (2022). Corporate social responsibility, corporate governance, dan corporate risk disclosure terhadap nilai perusahaan. AFRE (Accounting and Financial Review), 5(1), 11-19. https://doi.org/10.26905/afr.v5i1.7072

Darniaty, W. A., & Murwaningsari, E. (2022). Pengaruh pengungkapan risiko terhadap nilai perusahaan dengan corporate governance sebagai moderating. Jurnal Ekonomi, Manajemen dan Perbankan (Journal of Economics, Management and Banking), 6(1), 38. https://doi.org/10.35384/jemp.v6i1.232

Ekasari, J. C., Andi, Y., & Noegroho, K. (2020). The impact of corporate governance implementation on firm value, 4(4), 553-560.

Haj-Salem, I., Damak Ayadi, S., & Hussainey, K. (2020). The joint effect of corporate risk disclosure and corporate governance on firm value. International Journal of Disclosure and Governance, 17(2-3), 123-140. https://doi.org/10.1057/s41310-020-00079-w

Ikatan Akuntan Indonesia. (2024). Pengungkapan instrumen keuangan (Pernyataan Standar Akuntansi Keuangan No. 107).

Jullia, M., & Finatariani, E. (2024). Pengaruh pertumbuhan perusahaan, kepemilikan manajerial dan kepemilikan institusional terhadap nilai perusahaan, 4(3), 913-923.

Maria, A., Aminah, A., Putri, I. A., & Nilwan, A. (2024). Comparison of financial performance before and after the merger of PT Bank Syariah Indonesia Tbk (BSI). International Journal of Economics, Management and Accounting (IJEMA), 1(8), 671-682.

Nurmala Sari, Agus Seswandi, & Rizqa Anita. (2025). Pengaruh corporate risk disclosure terhadap nilai perusahaan dan variabel good corporate governance sebagai moderasi. Jurnal Daya Saing, 11(2), 131-137. https://doi.org/10.35446/dayasaing.v11i2.2147

Nuryono, M., Wijayanti, A., & Samrotun, Y. C. (2020). Pengaruh kepemilikan manajerial, kepemilikan institusional, komisaris independen, komite audit, serta kualitas audit pada nilai perusahaan. Jurnal Ilmiah Edunomika, 3(1), 199-212.

Wahasusmiah, R. (2022). Pengaruh ukuran perusahaan, investment opportunity set, dan corporate governance terhadap nilai perusahaan dengan kinerja keuangan sebagai variabel intervening pada perusahaan LQ45, 21(1), 1-17.