



**THE MODERATION ROLE OF FAMILY OWNERSHIP: THE INFLUENCE OF DIRECTORS CHARACTERISTICS ON THE LEVEL OF FINANCIAL RISK DISCLOSURE AND IMPLICATIONS FOR FINANCIAL PERFORMANCE
(Empirical Study of the Banking Industry Listed on the Indonesian Stock Exchange for the Period 2016-2023)**

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Abstract

This study aims to examine the level of risk in disclosure practices and the impact of three board characteristics (director education, board size, and director age) on financial risk disclosure in the banking industry. This research also contributes to the literature by testing the moderating effect of family ownership on the relationship between board characteristics and company risk disclosure, as well as its implications for financial performance. The population in this study consists of banking industry companies listed on the Indonesia Stock Exchange for the period 2016-2023, using a purposive sampling method, resulting in 11 companies and a total sample of 88 observation data. The analysis techniques used include multiple regression analysis and MRA testing with SPSS 27 software. The results show that director education, board size, and director age have a positive effect on financial risk disclosure. The study also reveals that the moderating variable of family ownership strengthens the relationship between director education and financial risk disclosure. Conversely, family ownership moderation weakens the relationship between board size, director age, and financial risk disclosure. Furthermore, financial risk disclosure does not affect financial performance.

Keywords: Financial Risk Disclosure, Board Characteristics, Family Ownership, Financial Performance.

INTRODUCTION

Risk is an inseparable part of the business world, but it does not always have a negative impact if managed well. One important aspect in its management is risk disclosure which allows companies to provide risk-related information to stakeholders (Mousa & Elamir, 2013). This disclosure helps stakeholders assess the company's success and ability to identify and overcome risks (Darmawi, 2017:19). In the Indonesian context, banking as a financial institution that manages public funds has a vital role and faces various business risks, so it is required to present transparent financial reports.

In Indonesia, many cases of banking problems result from ignoring financial risk disclosure. To overcome this, the regulator issued regulations, such as PSAK No. 60, which requires companies to disclose risk information in annual reports, in accordance with IFRS 7 (Wibowo & Probohudono, 2017). This rule requires entities to convey important information to stakeholders regarding the impact and risk

management of financial instruments. Apart from that, other provisions such as POJK No. Kep-6/POJK.03/2016 and PBI No. 14/14/PBI/2012 also regulates transparency and publication of risk reports which include risk management practices by banks (Utomo & Chariri, 2014).

This research was developed because of the phenomenon of inadequate financial risk disclosure in the banking industry, such as Bank Mayapada in 2022 which did not clearly disclose credit risks related to bad loans worth IDR 1.3 trillion to Ted Sioeng (Nusantara-news.co/id, 2022). A similar case occurred at Bank Mega in 2021 with the loss of customer deposit funds amounting to IDR 33.45 billion (Kompas.com, 2021). This phenomenon is associated with the family ownership structure, where 93.4% of Indonesian companies are family owned (Kurniawan & Indriantoro, 2000; Tonggano & Christiawan, 2017; Haddad et al., 2015).

At Bank Mayapada, Sri Dato Tfinally as controlling shareholder, holding 5.06 billion MAYA shares with a portion of 19.34%. PT Mayapada Kasih's share ownership in MAYA also became 3.21 billion or 12.31% of the ownership portion. Then, PT Mayapada Karunia holds 6.32 billion MAYA shares with a portion of 24.16%. Apart from that, PT Gatsu Griya Gatsu Megatama holds 2.29 billion MAYA shares with a portion of 8.75%. Jonathan Tahir, who previously only owned 407.65 million MAYA shares and a portion of 3.45%, now holds 1.51 billion shares with a portion of 5.79%. The existence of family ownership is important because the Financial Services Authority Regulation issued regulation Number 56/POJK.03/2016, which edits the existence of family ownership in the Banking Industry in Indonesia. In this regulation, the maximum share ownership limit for the categories of bank and non-bank financial institutions is 40% of bank capital, non-financial institutions are 30% of bank capital, and individuals are 20% of bank capital. The maximum limit for family share ownership is equal to the highest limit of the shareholder category within the family.

This research analyzes the role of family ownership in the banking ownership structure, which influences the level of financial risk disclosure as part of information disclosure in agency theory. A concentrated ownership structure gives controlling shareholders the power to influence company management and contracts with stakeholders. Family ownership is predicted to weaken the influence of directors on risk disclosure. The selection of directors depends on the ownership structure, so their effectiveness is also affected (Zureigat, 2011). The Board of Directors is responsible for annual reports, including risk reports (Law No. 40 of 2007; KNKG, 2006). According to *Malaysian Code on Corporate Governance*, risk reporting is an important part of *corporate governance disclosure*. This research uses three proxies: education, size, and age of directors.

Educated directors are considered capable of understanding broader analytical needs, especially if they have an economic background, which has a positive effect on information disclosure (Akhtaruddin & Rouf, 2012). Directors with education in economics, business, or finance can reduce costs and agency

problems (Anderson & Reeb, 2004). Director education remains important, especially if it is aligned with business needs and supported by soft skills. Apart from that, the size of the board of directors also has an influence. Larger boards encourage transparency and diversity of expertise (Maskati & Hamdan, 2017; Zaheer, 2013). However, different results were found by Al-Maghzom (2016) who stated that the size of the board of directors had a negative impact on risk disclosure. Small size limits information capabilities (Alfraih & Almutawa, 2017).

Research by Alhazaimah & Almsafir (2014) shows that the size of the board of directors does not have a significant effect on voluntary disclosure. Ramadhan (2014) also stated that a large board size can reduce the effectiveness of information delivery. This is confirmed by Khalil & Maghraby (2017) who found that communication and decision making become difficult with the increasing number of board members. The age of directors is also an important variable. Young directors are more innovative (Ibrahim & Hanefah, 2016), while older directors tend to be more careful. Alqatan (2019) found that the age of directors influences risk disclosure due to the synergy of experience and innovation. However, Wicaksana et al. (2017) and Anjani (2019) show that age is not significant, because disclosure is also influenced by other factors such as effectiveness and monitoring.

These findings emphasize the importance of diversifying directors' education for corporate governance policies. In contrast to Al-Dubai (2023), this study uses proxies for Education, Size and Age of Directors and adds family ownership as a moderating variable. Risk disclosure is important to improve the company's financial performance (Negera & Dharma Suputra, 2017). This performance is measured through profits, one of which is Return On Assets (ROA), which reflects the company's efficiency in utilizing assets to generate profits (Pang et al., 2020). The higher the ROA, the better the company's financial condition.

Based on this background, this research goes further than previous risk disclosure literature, this research examines the moderating influence of family ownership on the relationship between Directors' Characteristics and financial risk disclosure. as well as adding implications for financial performance. This research also focuses research in Indonesia on the banking sector listed on the Indonesia Stock Exchange 2016-2023 as the companies that will be tested in this research.

LITERATURE REVIEW

Characteristics of Directors

In Law Number 40 of 2007, directors have the authority to represent the company inside and outside the court. In accordance with Article 92 Paragraph (5), the distribution of duties between members of the board of directors is determined by the GMS or the board of directors themselves.

Directors have fiduciary obligations, including management and representation functions. They set policies and control operations within the limits of the articles of association and are supervised by a board of commissioners. KNKG (2006) emphasizes the importance of board effectiveness through a composition that allows quick and independent decision making. The Board of Directors is the center for implementing corporate governance that upholds transparency, accountability and responsibility. Caragih (2013) stated that the characteristics of directors such as age, education and experience influence decision making and company sustainability.

Financial Risk Disclosure

Risk disclosure helps stakeholders understand the types of risks and how the company manages them, useful in decision making and early detection of problems (Linsley and Philip, 2005). According to Bujaki et al. In Aljifri and Hussainey (2007), risk disclosure reduces information asymmetry between managers and investors, which can give rise to agency costs. Amran et al. (2009) stated that financial risk includes market, credit, liquidity, exchange rate and interest risks. PSAK No. 60 (Revised 2010) regulates disclosure of financial instruments in two categories: significance and risk. Disclosure must be adequate, fair and full. To meet stakeholder information needs and regulatory compliance, risk disclosure needs to be supported by the implementation of corporate governance (Suhardjanto et al., 2012).

Family Ownership

Family companies are usually characterized by a structure of ownership and control by family members. A concentrated ownership structure in the family can influence company information disclosure. Konishi and Ali (2007) state that concentrated ownership structures influence the disclosure of risk information. This also has an impact on the effectiveness of the board of directors in providing risk information (Dong and Zhang, 2008). According to Marwata (2001), the greater insider ownership, the less information is disclosed due to direct access to information. Conversely, the greater public ownership, the higher the demand for information. Villalonga & Amit (2006) add that the founding family can intervene in management decisions. States that family companies play an important role in economic stability, which can influence risk disclosure (Zureigat, 2011).

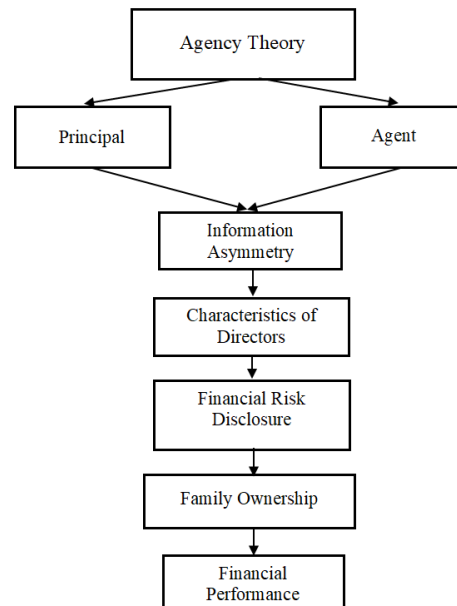
Financial performance

Financial performance reflects the company's financial condition in a period, including the collection and distribution of funds, and is measured through capital adequacy, liquidity and profitability (Jumingan, 2006:239). This performance shows the success of the company's activities and compliance with financial regulations (Fahmi, 2012:2). Rudianto (2013:189) states that financial performance is the

result of effective asset management by management. Performance measurement assesses operational efficiency and effectiveness during an accounting period. Performance analysis involves reviewing data, calculating, interpreting, and providing solutions to financial conditions (Rudianto, 2013). Return on Assets (ROA) is used to measure profitability and efficiency of asset utilization. The higher the ROA, the greater the company's profits.

Thinking Framework

According to Sugiyono (2019), a thinking framework is a conceptual model that connects theory with the aspects being studied. This framework explains the relationship between variables based on facts, observations and literature. This research examines the moderation of family ownership on the relationship between director characteristics and financial risk disclosure, as well as its impact on performance. Agency theory explains the conflict of interest between directors and principals (Arnold and de Lange, 2004). Family ownership influences risk disclosure (Haddad et al., 2015; Alhababsah, 2019).



Gambar 1 Kerangka Berfikir

Hypothesis

1. The Influence of Directors' Education on Financial Risk Disclosure

According to Hillman and Thomas (in Alshirah et al., 2020), information asymmetry comes from agency theory, namely the principal's belief that the agent will carry out the contract. The director's education reflects the agent's abilities. Directors with relevant educational backgrounds are able to carry out supervisory functions effectively and improve the quality of financial reporting (Naiker and Sharma, 2009). Varied education also acts as an effective monitoring mechanism (Allini

et al., 2016). Martikainen et al. (2015) shows that education level is positively correlated with financial risk disclosure. Anderson et al. Singh and Sagggar (2017) added that directors with finance and accounting education are able to prepare better reports. Al-Dubai (2023) also supports a positive relationship between education and risk disclosure. However, Allini et al. (2016) show that educational diversity can actually reduce the level of risk disclosure. This research assumes that the higher a director's education in the business sector, the better their ability to manage agency conflicts.

H₁: Directors' education has a positive effect on financial risk disclosure

2. The Influence of Board of Directors Size on Financial Risk Disclosure

Based on agency theory, a large board size can reduce agency costs and increase supervisory effectiveness (Ganguli and Guha Deb, 2016). A large board of directors is able to mitigate conflicts of interest between majority and minority owners (Allegrini and Greco in Alshirah et al., 2020), as well as reducing information asymmetry (Pangestuti et al., 2017). A larger board size is also associated with quality financial reporting (Ismail et al., 2010) and the ability to credibly release risk information (Khalil and Maghraby, 2017). Sukandar and Rahardja (2014) emphasized that a large number of board members can increase risk disclosure. However, several studies such as Al-Maghzom (2016) and Khalil and Maghraby (2017) show that large board size can lead to coordination conflicts. This research assumes a positive relationship between board size and risk disclosure.

H₂: The size of the Board of Directors has a positive effect on financial risk disclosure

3. The Influence of Directors' Age on Financial Risk Disclosure

According to Hurlock (in Anjani, 2019), adulthood is divided into three stages: early adulthood (18–40 years), middle adulthood (40–60 years), and advanced adulthood (60 years and above). Age affects performance, including in financial reporting. Alqatan (2019) found that the age of directors has an impact on financial risk disclosure, where synergy between young and old directors can encourage strategic decisions that support transparency. However, research by Wicaksana et al. (2017) and Anjani (2019) show that the age of directors does not have a significant effect on risk disclosure. These findings confirm that financial risk disclosure is influenced by many other factors such as monitoring effectiveness and the proportion of independent directors. Therefore, this study proposes the following hypothesis:

H₃: The age of the Board of Directors has a negative effect on financial risk disclosure

4. The Moderating Effect of Family Ownership on Directors' Relationships and Financial Risk Disclosure

Concentrated family ownership can influence board decisions, including risk disclosure (Lokman et al., 2014). Two theoretical views show that family relationships can reduce agency costs (Fama and Jensen, 1983 in Alshirah et al., 2020), but can also give rise to conflicts of interest between

majority and minority owners (Anderson and Reeb, 2004 in Alshirah et al., 2020). The family often dominates decisions without open disclosure (Kamaruzaman et al., 2019), and tends to appoint directors without sufficient expertise (Sciascia and Mazzola, 2008 in Alshirah et al., 2020). This research examines the moderation of family ownership on the relationship between director characteristics and financial risk disclosure.

H_{4a}: Family ownership moderates the relationship between directors' education and financial risk disclosure

H_{4b}: Family ownership moderates the relationship between board size and financial risk disclosure

H_{4c}: Family ownership moderates the relationship between director age and financial risk disclosure

5. The Effect of Financial Risk Disclosure on Financial Performance

According to Anton (2018), conflicts of interest between shareholders (principals) and management (agents) can be resolved through information disclosure, which ultimately improves organizational performance. Devi et al. (2017) stated that disclosure communicates corporate governance and performance to users of financial reports. Financial risk disclosure allows users to better understand a bank's stability and risk profile. Research by Nahar et al. (2016b) and Hui Lun (2015) support that risk disclosure has a positive effect on financial performance. Based on this, the following hypothesis can be formulated.

H₅: Financial risk disclosure has a positive effect on financial performance

METHOD

This research is deductive hypothesis research, because it starts from theories and hypotheses which are then tested through data collection and analysis. This research is longitudinal in nature using panel data from 2016 to 2023. The type of data used is quantitative data, which is measured in the form of numbers (Sugiyono, 2015:12). The research involves three main variables: director characteristics as the independent variable, financial risk disclosure and financial performance as the dependent variable, and family ownership as the moderating variable. The data source comes from secondary data, namely the annual financial reports of the Banking Industry which are listed on the Indonesia Stock Exchange (BEI) (Sugiyono, 2015: 193). Data collection techniques are carried out through *library research*, by reviewing relevant literature and documents. Research objects include directors' characteristics, financial risk disclosure, family ownership, and financial performance (Nuryaman & Christina, 2015: 5). The population in this research is the entire banking industry registered on the IDX (Nuryadi et al., 2019). Samples were selected using *purposive sampling*, namely a sampling technique based on certain criteria

(Anwar in Yafie, 2016), such as the availability of financial reports and suitability of information with the variables studied.

This research uses descriptive and regression statistical data analysis techniques, incl *Moderated Regression Analysis* (MRA), with the help of SPSS version 27. Descriptive statistics aims to describe data characteristics without drawing general conclusions, such as minimum, maximum, average and standard deviation values (Ghozali, 2016). The financial data disclosed by the company from 2016–2023 is described using this method.

Regression analysis is used to test the influence of independent variables on the dependent, through multiple linear regression and MRA models. Data quality tests were carried out through normality tests (Ghozali, 2021:196), multicollinearity tests (Ghozali, 2021:157), heteroscedasticity tests, and autocorrelation using Durbin-Watson. Hypothesis testing is carried out through multiple regression and panel regression. The MRA model is applied to analyze the influence of moderator variables in strengthening or weakening the relationship between variables. According to Jogiyanto (2014), the moderation effect is tested by increasing the R^2 value and the significance of the interaction. The coefficient of determination (R^2) measures the extent to which the independent variable explains variations in the dependent variable (Ghozali, 2021:147), while the F test is used to test the simultaneous significance of the regression model (Ghozali, 2021:148).

RESULTS AND DISCUSSION

Research result

Data analysis

Data were analyzed through descriptive statistics, multiple linear regression, and Moderated Regression Analysis (MRA) tests. Descriptive statistics provide an overview of variables in the form of minimum, maximum, mean and standard deviation values. The Financial Risk Disclosure (PRK) variable has a maximum value of 0.97 and a minimum of 0.66, with an average of 0.8398 and a standard deviation of 0.08662, indicating that banking transparency is quite high. Directors' education (PD) has an average of 0.864 and a standard deviation of 0.1260. The size of the Board of Directors (UKD) has an average of 6.341 and a standard deviation of 2.6169. Directors' age (USD) has an average of 0.7896 and a standard deviation of 0.2320. Financial Performance (KK), measured by ROA, has an average of 0.0146 and a standard deviation of 0.01276. Family Ownership (KKE) has an average of 0.5768 and a standard deviation of 0.16550. These values show small variations from the average.

Normality Test

The results of the normality test on the three models (Model I, Model II, and MRA Model) using the Kolmogorov-Smirnov test show that all residual data is normally distributed, indicated by the Asymp value. Sig. (2-tailed) were respectively 0.200 for Model I, 0.059 for Model II, and 0.180 for Model MRA, all of which were greater than the significance limit of 0.05. Thus, it can be concluded that the normality assumption has been met in the three models, so the data is suitable for use in further regression analysis.

Classical Assumption Test

Multicollinearity Test

The multicollinearity test aims to determine whether there is a linear correlation between the independent variables in the regression model. Multicollinearity can cause distortion to the estimated regression coefficients, so it needs to be tested first. The criteria used refer to Ghozali's (2021) opinion, namely if the value tolerance > 0.10 and value Variance Inflation Factor (VIF) < 10 , then it can be concluded that multicollinearity does not occur.

Table 1 Model I Multicollinearity Test Results

Variable	Tolerance	VIF
Directors' Education	0.816	1.225
Size of the Board of Directors	0.859	1.164
Age of Directors	0.945	1.058

Sumber: Output SPSS 27

Based on the results in the table above, all independent variables in Model I have a tolerance value of more than 0.10 and a VIF value of less than 10. Therefore, it can be concluded that no multicollinearity occurred in the first regression model.

Table 2 Multicollinearity Test Results Model II

Variable	Tolerance	VIF
Financial Risk Disclosure	1.000	1.000

Sumber: Output SPSS 27

The table above shows the results of the multicollinearity test for Model II, where the financial risk disclosure variable has a tolerance value of 1,000 and a VIF of 1,000. These results indicate that multicollinearity does not occur in the second model.

Table 3 Multicollinearity Test Results on the MRA (Moderated Regression Analysis) Model

Variable	Tolerance	VIF
Directors' Education	0.802	1.247
Size of the Board of Directors	0.756	1.323
Age of Directors	0.782	1.279
Family Ownership	0.724	1.382

Sumber: Output SPSS 27

In the table above, all variables in the MRA model show tolerance values above 0.10 and VIF below 10, so it can be concluded that the model is free from multicollinearity problems.

Heteroscedasticity Test

Heteroscedasticity testing is carried out to determine whether there is inequality of residual variance in the regression model. If the variance of the residuals is not constant, heteroscedasticity occurs which can cause inefficient estimation. Testing was carried out using the Spearman Rank method, where the decision-making criteria are:

- If the value is significant > 0.05 , then heteroscedasticity does not occur.

Table 4 Spearman Model I Test Results

Variable	Sig. (2-tailed)
Directors' Education	0.956
Size of the Board of Directors	0.326
Age of Directors	0.412

Sumber: Output SPSS 27

Based on the results in the table above, all significance values are more than 0.05. Thus, it can be concluded that there are no symptoms of heteroscedasticity in the first regression model.

Table 5 Spearman Model II Test Results

Variable	Sig. (2-tailed)
Financial Risk Disclosure	0.123

Sumber: Output SPSS 27

In the table above, the significance value for the financial risk disclosure variable is 0.123 (> 0.05), so there is no heteroscedasticity in the second model.

Table 6 Spearman Model MRA Test Results

Variable	Sig. (2-tailed)
Directors' Education	0.527
Size of the Board of Directors	0.751
Age of Directors	0.698
Family Ownership	0.718

Sumber: Output SPSS 27

The Spearman test results in the table above show that all significance values are above 0.05. Thus, the MRA model does not contain heteroscedasticity problems.

Autocorrelation Test

The autocorrelation test aims to find out whether there is a correlation between the current residual and the previous residual. The test was carried out using Durbin-Watson (DW), with the following criteria:

- If the DW value is between dU dan (4 - dU) → there is no autocorrelation
- If $DW < dU$ or $DW > (4 - dU)$ → there is autocorrelation

Table 7 Model I Autocorrelation Test Results

Model	Durbin-Watson
I	0.310

Sumber: Output SPSS 27

The Durbin-Watson value of 0.310 is far below the dU value of 1.7243. This shows that there are symptoms of positive autocorrelation in Model I. To overcome this autocorrelation problem, the next step is to carry out treatment using the Cochrane-Orcutt method, which will be explained in the advanced regression analysis section.

Results of Multiple Regression Test Equation II

Table 8 Coefficient of Determination Test Results (R^2) Equation II

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.143a	0.020	0.009	0.01271	0.369

Sumber: Output SPSS 27

The coefficient of determination test results in the table above show the values *adjusted r square*. The regression model is used to find out how much ability the independent variable has in explaining the dependent variable or how much influence the independent variable has on the dependent variable. Based on this table, value *adjusted r square* amounting to 0.009, this indicates that 0.9% of financial performance is influenced by the financial risk disclosure variable and 99.1% is influenced by other variables not examined in this research.

Table 9 F Test Results – Simultaneous Test of Equation II

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Say.
1	Regression	0.000	1	0.000	1.784	0.185b
	Residual	0.014	86	0.000		
	Total	0.014	87			

Sumber: Output SPSS 27

Based on the table above, the multiple regression test shows a calculated F result of 1.361 with a significance level of 0.185 which is greater than 0.05, where the calculated F value is 1.784 smaller than the F table value, which is 3.952 (df1= 1 and df2=88-1-1=86). This means that the financial risk disclosure variable does not have a significant effect on financial performance.

Table 10 Results of t Test – Partial Test of Equation II

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Say.
		B	Std. Error	Beta		
1	(Constant)	-0.003	0.013		-0.226	0.822
	Financial Risk Disclosure	0.021	0.016	0.143	1.336	0.185

Sumber: Output SPSS 27

Moderated Regression Test Results or Moderated Regression Analysis (MRA) with an Analytical Test Approach to Research Hypotheses H4a, H4b, H4c

Table 11 Determination Test Results (R²) MRA Model Summary Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.902	0.814	0.798	0.03897	0.635

Sumber: Output SPSS 27

The R Square value of 0.814 indicates that 81.4% of the variation in financial risk disclosure can be explained by the variables:

- Directors' Education Zscore
- Zscore Size of Directors
- Zscore Age of Directors
- Family Ownership Zscore
- X1M, X2M, and X3M moderation interactions

The remaining 18.6% is explained by other variables not studied. Based on interpretation guidelines, this value is included in the very strong influence category (interval 0.80–1.000).

Table 12 F Test Results - Simultaneous MRA ANOVA Test

Model	Sum of Squares	df	Mean Square	F	Say.
1	Regression	0.531	7	0.076	49.971
	Residual	0.122	80	0.002	
	Total	0.653	87		

Sumber: Output SPSS 27

The calculated F value = 49.971 with a significance of 0.000 which is smaller than 0.05, and greater than the table F value (2.126; df1 = 7, df2 = 80). This shows that the variables:

- Directors' Education

- Size of the Board of Directors
- Age of Directors
- Family Ownership
- X1M, X2M, and X3M

simultaneously has a significant effect on financial risk disclosure.

Table 13 T Test Results – Partial Test of MRA Coefficients Test

Variable	B	Std. Error	Beta	t	Sig.
(Constant)	1.327	0.209	-	6.356	0.000
Directors' Education	-0.513	0.157	-0.747	-3.270	0.002
Size of the Board of Directors	0.011	0.011	0.333	0.975	0.332
Age of Directors	0.038	0.073	0.102	0.520	0.605
Family Ownership	-1.191	0.401	-2.276	-2.968	0.004
X1M (PD*KKE)	1.100	0.289	2.007	3.810	0.000
X2M (UKD*KKE)	0.016	0.022	0.264	0.743	0.460
X3M (USD*KKE)	-0.129	0.136	-0.347	-0.946	0.347

Sumber: Output SPSS 27

Based on the results of the partial test (t test), it was found that:

- Directors' education and family ownership have a significant effect on financial risk disclosure.
- The interaction variable X1M (Director's Education x Family Ownership) is also significant, indicating that family ownership moderates the effect of director's education on financial risk disclosure.
- Other variables are not significant (Size of Directors, Age of Directors, X2M, X3M).

Discussion

1. The Influence of Directors' Education on Financial Risk Disclosure (H₁)

This research tests hypothesis H₁ that Directors' Education has a positive effect on Financial Risk Disclosure. The results of the regression analysis prove that director education has a significant effect on disclosure, so the hypothesis is accepted. This finding is in line with agency theory which states that educated directors, especially in the fields of economics, finance and business, can improve the quality of supervision and reporting (Pfeffer and Salancik, 2003). Good education enables directors to understand the complexity of risks and the importance of transparency to shareholders (Ismail and Rahman, 2011). Alzoubi (2016b) states that directors with an accounting and finance background are effective in monitoring managers regarding risk disclosure. Makhoul et al.'s research (2018) also supports the existence of a positive relationship between director education and accounting conservatism. Educated directors tend to be more aware of their responsibilities to the public, and are able to make evidence-based decisions, maintain integrity and improve risk communication effectively. Education strengthens independence and accountability, which is consistent with agency

theory's expectations in creating a healthy relationship between management and shareholders. Thus, director education is a key factor in clear and transparent risk disclosure, as well as increasing long-term company value.

2. The Influence of Board of Directors Size on Financial Risk Disclosure (H₂)

This research tests hypothesis H₂ that the size of the board of directors has a positive effect on financial risk disclosure. The results of the regression analysis prove that the greater the number of directors, the more significant the influence on risk disclosure, so the hypothesis is accepted. A larger number of directors provides a variety of perspectives and experience in decision making, thereby being able to produce a more comprehensive disclosure policy. This finding is consistent with agency theory, which emphasizes the importance of effective supervision and control of management so that disclosures are carried out accurately and transparently (Ismail et al., 2010). These results are in line with research by Khalil & Maghraby (2017), who found that the size of the board of directors has a positive effect on risk disclosure. Alkurdi et al. (2019) added that a large number of directors is able to represent the various interests of shareholders fairly. Within the framework of agency theory, this helps reduce conflicts of interest by strengthening independent oversight. An adequate board size also increases the company's adaptability to external changes. Therefore, the size of the board of directors plays an important role in improving the quality, transparency and accountability of the company's risk disclosure.

3. The Effect of Directors' Age on Financial Risk Disclosure (H₃)

This research tests hypothesis H₃ that the age of directors has a negative effect on financial risk disclosure. The results of the regression analysis prove that the older the directors, the lower the level of risk disclosure, so the hypothesis is accepted. Older directors tend to be conservative, tied to old practices, and less open to change, including in terms of transparent risk disclosure (Alkurdi et al., 2019). They may also be less familiar with new technology or rapid market changes, and therefore less aware of the importance of continually improving risk disclosure. Older age is often associated with a more cautious risk perception, which can actually reduce information disclosure to shareholders. This research supports the findings of Fahad and Rahman (2019) which show that the age of directors has a negative effect on financial risk disclosure. Despite their experience, older directors can have difficulty adapting to the complex dynamics of the global business environment, and tend to maintain old policies. Lack of initiative in implementing new risk disclosure practices can reduce the level of transparency. In the context of agency theory, this has the potential to weaken the relationship between management and shareholders due to low accountability in risk disclosure (Fahad and Rahman, 2019).

4. The Influence of Family Ownership in Moderating Directors' Education on Financial Risk Disclosure (H_{4a})

Hypothesis H_{4a} states that family ownership moderates the effect of directors' education on financial risk disclosure. The results of the Moderated Regression Analysis (MRA) analysis show that family ownership strengthens this relationship, so the hypothesis is accepted. In companies with dominant family ownership, the owner's family has a large influence on the composition and decisions of the board of directors, including educational preferences which can influence risk disclosure policies (Sciascia and Mazzola, 2008). High director education can strengthen understanding of financial risks and the importance of transparency, which supports the long-term sustainability of the company (Chau and Gray, 2010). In a family ownership structure that tends to be closed, strong education is important to encourage proactive disclosure (Ismail et al., 2014). In addition, director education increases awareness of supervisory responsibilities and accountability towards shareholders, especially when potential conflicts of interest occur in family companies. Directors who are educated tend to be better able to make evidence-based strategic decisions, including regarding risk disclosure. Thus, family ownership as a moderating variable strengthens the relationship between director education and risk disclosure, in line with agency theory which emphasizes the importance of control, competence and accountability (Chang et al., 2017).

The Effect of Family Ownership in Moderating the Size of the Board of Directors on Financial Risk Disclosure (H_{4b}).

Hypothesis H_{4b} states that family ownership moderates the relationship between board size and financial risk disclosure. However, the results of Moderated Regression Analysis (MRA) show that family ownership actually weakens this relationship, so H_{4b} is rejected. In family companies, strategic control is predominantly in the hands of the owner's family, so that the number of directors becomes a formality without a significant impact on risk disclosure policies (Lokman et al., 2014). The appointment of directors is based on loyalty rather than competence, thus potentially prioritizing family interests over transparency (Ghosh and Tang, 2015). This finding is in line with Aldaoud (2015) which show that family ownership concentration has no effect on the size of the board of directors or the accuracy of reporting. According to agency theory, family dominance in decision making weakens the role of directors in promoting transparency due to conflicts of interest. A family's focus on long-term sustainability may also reduce incentives to disclose risks widely (Bartholomeusz and Tanewski, 2006).

The Effect of Family Ownership in Moderating the Age of Directors on Financial Risk Disclosure (H_{4c})

Hypothesis H_{4c} states that family ownership moderates the effect of director age on financial risk disclosure. However, the results of the Moderated Regression Analysis (MRA) analysis show that family ownership actually weakens this relationship, so the hypothesis is rejected. These results are not in line with agency theory, but support the findings of Allini et al. (2016) that family ownership does not have a significant effect on risk disclosure. Family ownership tends to prioritize long-term stability and image, so transparent disclosure of risks may be seen as disruptive (Al Hadab, 2018). Although older directors have experience and a penchant for transparency, family dominance can limit their autonomy. Additionally, family values such as prudence and privacy often dominate disclosure policies, reducing the incentive to comply with external pressures (Al-Khurdi et al., 2019). Thus, family ownership can weaken the role of director age in encouraging open and accountable disclosure of financial risks.

5. The Effect of Financial Risk Disclosure on Financial Performance (H₅)

Hypothesis H₅ states that director disclosure has a positive effect on financial risk disclosure. However, the multiple regression results show there is no significant effect, so H₅ rejected. This finding is in line with Alabdullah (2018) who found that risk disclosure did not have a significant effect on financial performance. This is contrary to agency theory which states that risk disclosure can reduce agency conflict and improve performance (Jensen & Meckling, 1976). One explanation is that risk disclosure is more qualitative in nature, making it difficult to link directly to financial indicators such as net profit or ROE. Financial performance is also influenced by external factors such as market conditions and regulations. In addition, the impact of risk disclosure on investor perceptions tends to be long-term and indirect. Differences in the quality and interpretation of disclosures also cause variations in assessments by investors and analysts, making it difficult to measure their impact on performance directly (Al-Shammari, 2014).

CONCLUSION

This research aims to determine the influence of education, size and age of directors on financial risk disclosure, as well as the role of family ownership as a moderating variable in the banking industry on the IDX for the 2016–2023 period. The results of the analysis show that director education has a significant effect on risk disclosure, supporting agency theory that educated directors strengthen the supervisory function. The size of the board of directors also has a positive effect, indicating that the more board members there are, the wider the perspective in identifying risks. On the other hand, the age of directors has a negative effect, because older directors tend to be conservative and less open to change.

Family ownership strengthens the effect of director education on disclosure, but weakens the effect of director size. This shows that in family companies, a large number of directors is not necessarily effective in encouraging risk information disclosure. In addition, family ownership is not significant in moderating the relationship between director age and risk disclosure. Finally, financial risk disclosure does not have a significant effect on the company's financial performance, possibly because disclosure is more qualitative in nature and does not directly reflect performance figures. Other external factors can also have a more dominant influence on financial performance.

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