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Corporate Governance, Ownership Structure, and Risk Disclosure

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Abstract

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This study aims to examine the relationship between ownership structure, corporate governance, and risk management disclosure based on the results of empirical studies over the past five years. The research method used is library research by examining various relevant scientific articles published in the last five years. The results of the study show that the implementation of effective corporate governance through the mechanism of independent board of commissioners, audit committees, and risk management committees has a positive effect on the breadth of risk disclosure. Meanwhile, public and institutional ownership structures have been shown to encourage higher levels of information disclosure than concentrated ownership. The analysis with a stakeholder theory and signaling approach confirms that risk disclosure serves not only as a reporting obligation, but also as a strategic communication tool that strengthens investor trust and company reputation. This study makes a conceptual contribution to understanding the interaction between governance, ownership structure, and risk transparency and serves as a basis for further empirical research in various industry contexts.

1. Introduction

The dynamic and uncertain development of the global economy has demanded that companies in various sectors strengthen their governance practices and risk management systems. Amid the increasing intensity of competition and the ever-increasing expectations of transparency from stakeholders, companies are required not only to create economic value, but also to ensure long-term sustainability through accountable and accountable risk management practices. In this context, the implementation of Good Corporate Governance (GCG) and risk management disclosure are two important aspects that are interrelated and affect public perception of the quality of company management. Transparency on risk disclosure is a form of corporate responsibility to shareholders, regulators, and the wider community, especially in an effort to minimize information asymmetry between management and stakeholders (Baudot et al., 2021).

The role of good corporate governance has long been associated with improving the quality of information disclosure and mitigating risks. GCG principles such as transparency, accountability, and responsibility serve as a basic framework in maintaining market confidence and ensuring that management decisions are made objectively and with integrity (Zubeltzu-Jaka et al., 2018). A company's ownership structure, including managerial, public, institutional, and foreign ownership, has a significant influence on the extent to which management is willing to disclose risk information. For example, high public ownership encourages companies to be more open in reporting potential risks to maintain investor confidence. Conversely, concentrated ownership can lower the level of transparency because majority owners have broader access to information and do not require in-depth public disclosure (Fabrizio & Kim, 2019).

In addition, stakeholder theory and signaling are relevant conceptual foundations in explaining the importance of risk management disclosure. Stakeholder theory emphasizes that companies have a responsibility to provide adequate information to all interested parties, not just to shareholders. Comprehensive risk disclosure serves as a communication mechanism between companies and stakeholders to ensure business sustainability and information fairness (Truant et al., 2017). On the other hand, signaling theory explains that companies use risk disclosure as a positive signal to the market to demonstrate good governance and the ability to manage business uncertainty. Broad disclosures reflect management's commitment to transparency as well as being a strategic tool to attract new investors and retain existing investors (Salem et al., 2019).

Empirical studies show that risk management disclosure practices vary between companies, depending on the internal and external characteristics of the organization. Factors such as the size of the company, the independence of the board of commissioners, the number of audit committees, and the quality of external auditors contribute to the extent to which the company discloses operational, market, and strategic risks. Research by Elamer et al. (2020) found that independent boards of commissioners and risk management committees have a significant role in expanding risk disclosure in consumer sector companies, as their presence strengthens the supervisory function of management decisions. On the other hand, Kakanda and Salim (2017) show that the reputation of external auditors can also strengthen public confidence in the quality of risk disclosure, especially in the context of emerging market capital markets.

In the context of economic globalization, foreign ownership is also an important determinant in encouraging company transparency. Foreign investors generally demand higher reporting and governance standards to reduce the risk of information asymmetry. Research by Alshirah et al. (2020) found that companies with higher levels of foreign ownership tend to have broader risk disclosure due to pressure from overseas shareholders towards the implementation of more transparent reporting practices. This shows that there is a cross-cultural influence in governance practices that creates positive pressure for domestic companies to conform to global standards.

However, the results of previous studies still show inconsistencies in explaining the relationship between governance, ownership structures, and risk management disclosures. Some studies have found a positive relationship between the size of the board of commissioners and the extent of risk disclosure, while others have found insignificant or even negative outcomes (Harun et al. 2020). These differences in results open up opportunities for further research to explore how governance mechanisms and variations in ownership structures can influence risk disclosure strategies across different industry sectors.

Thus, this study seeks to expand the understanding of the relationship between ownership structures, corporate governance, and risk management disclosures in general contexts relevant to the modern business environment. It is hoped that the results of this study can provide a conceptual and practical contribution for academics, regulators, and industry players in strengthening corporate transparency and accountability practices in the uncertain post-pandemic era.

2. Literature Review

2.1. Corporate Governance and Risk Management Disclosure

Corporate governance is a system that regulates and controls relationships between various stakeholders in the company, such as shareholders, management, board of commissioners, and other stakeholders. The basic principles of corporate governance include transparency, accountability, responsibility, independence, and fairness. The implementation of these principles is believed to improve the quality of corporate reporting, including in the disclosure of risks faced by organizations. According to Feng et al. (2020) companies with good governance tend to have broader risk management disclosures due to the existence of a strict supervisory system and commitment to transparency. Another study by Harymawan et al. (2021) shows that the existence of an independent board of commissioners and an audit committee plays an important role in encouraging the expansion of risk disclosure.

The independent board acts as an external supervisor that ensures management reports operational and strategic risks honestly and thoroughly. In addition, Amrin (2019) emphasized that governance characteristics such as the size of the board of commissioners, the number of audit committees, and the quality of external auditors contribute to the level of completeness of risk disclosure. Companies with active audit committees and highly reputable auditors are more likely to present comprehensive risk reports to maintain market confidence. Thus, effective corporate governance becomes not only an internal control mechanism, but also a tool to strengthen relationships with stakeholders through increased transparency. Good governance creates a positive signal to investors, regulators, and the public that the company is committed to responsible and sustainable risk management.

2.2. Ownership Structure and Risk Information Disclosure

A company's ownership structure is an important element in determining the level of transparency and risk disclosure. Variations in the form of managerial, institutional, public, and foreign ownership affect the extent to which risk information is disclosed to the public. According to Abu Qa'dan and Suwaidan (2019) public ownership encourages companies to be more open in disclosure due to pressure from external investors to obtain complete and accurate information. In contrast, concentrated ownership can lead to limited transparency because the majority owner has direct access to the company's internal information. Research by Alshirah et al. (2020) found that foreign ownership also plays an important role in expanding risk disclosure.

Foreign investors are demanding higher reporting standards and better governance practices, so companies with significant foreign ownership are likely to implement more transparent risk reporting. On the other hand, Thuy et al. (2021) explain that institutional ownership can serve as an effective external oversight mechanism because institutional investors have a long-term interest in the sustainability of the company. They play an active role in encouraging management to disclose risks openly and accurately. Therefore, a balanced ownership structure is a strategic factor in building transparent governance. A combination of managerial ownership that encourages internal accountability and external ownership that demands external transparency can result in an optimal balance of oversight of a company's risk management practices.

3. Method

This study uses a library research approach that aims to examine the relationship between ownership structure, corporate governance, and risk management disclosure based on empirical and theoretical literature that has been published in the last five years. This approach was chosen because the focus of the research lies on conceptual analysis and synthesis of relevant scientific findings, rather than on the collection of primary data. Thus, this method allows researchers to conduct a comprehensive search of various scientific sources that include reputable journals, research reports, and policy documents relevant to the topics of corporate governance and risk transparency.

The research stage begins with the identification of key keywords such as corporate governance, ownership structure, risk management disclosure, transparency, stakeholder theory, and signaling theory. The literature search process is carried out through international academic databases such as Google Scholar, ResearchGate, and Elsevier, with the criteria for selecting articles published between the last five years. Each selected literature must meet several criteria: (1) it has a focus on corporate governance or risk disclosure, (2) it explains the influence of ownership structures on transparency or risk reporting, and (3) it uses supporting theories such as stakeholder theory and signaling theory as a conceptual framework.

After the selection process, the references were systematically analyzed to identify patterns of relationships between variables and inconsistencies in previous research results. The analysis was conducted using a comparative review approach in which each study was compared based on the industry context, observation period, and analysis method used. This approach helps uncover the factors that cause differences in empirical outcomes between studies, such as differences in governance regulations, ownership characteristics, and the economic environment. For example, a study by Feng et al. (2020) emphasizes the importance of governance and public ownership in improving risk disclosure in the financial sector, while a study by Elamer et al. (2020) highlights the role of independent commissioners and risk management committees in strengthening transparency in the non-financial sector.

In addition, content analysis techniques are also used to interpret findings from related literature qualitatively. Through this technique, each article is categorized based on key variables such as the type of ownership (managerial, public, institutional, foreign), governance mechanism (board of commissioners, audit committee, auditor quality), and the breadth of risk disclosure (strategic, operational, market, or reputational). This analysis is then synthesized to draw conceptual conclusions regarding the relationships between the observed variables.

This literature review approach is expected to make a theoretical contribution by developing a conceptual model that explains how the combination of ownership structures and corporate governance affects the level of risk disclosure. Thus, this study not only serves as a compilation of knowledge, but also as a foothold for future empirical research to test these relationships quantitatively.

4. Results

The results of this literature review show that there is a strong relationship between ownership structure, corporate governance, and risk management disclosure levels in various industry and country contexts. Based on an analysis of the literature over the past five years, it was found that effective corporate governance and a balanced ownership structure can increase risk transparency, strengthen investor confidence, and reduce the potential for information asymmetry. These variables interact with each other in a complex manner, where each element contributes to the quality of risk disclosure, either directly or through the governance mechanisms implemented.

Research by Baudot et al. (2021) confirms that companies with strong Good Corporate Governance (GCG) implementation through the existence of an independent board of commissioners, audit committees, and transparent reporting systems show higher levels of risk disclosure. This is because effective governance acts as a control system that ensures that every management decision considers the potential risks that may be faced. Similar results were also found by Harymawan et al. (2021) who identified that independent board of commissioners and risk management committees have a positive influence on the breadth of risk disclosure of consumer sector companies. These findings reinforce the view that good governance can be a key determining factor in building public trust in companies.

On the other hand, the ownership structure factor also has a significant role. Based on the results of Abu Qa'dan and Suwaidan (2019) research, public and institutional ownership encourages a higher level of openness due to pressure from external parties to obtain comprehensive information. Companies with high levels of public ownership have a greater incentive to expand risk disclosure, given that minority investors rely on public information to assess the risks of their investments. In contrast, companies with concentrated ownership or managerial dominance tend to be more closed because the majority shareholders already have access to internal information. This reflects the difference in transparency motivation determined by the distribution of power within the company.

The international context also shows a similar influence. Research by Alshirah et al. (2020) found that foreign ownership has a positive effect on the breadth of risk disclosure, especially as foreign investors demand stricter reporting standards. Pressure from such foreign shareholders created an impetus for management to align risk reporting practices with international principles. In a study conducted by Thuy et al. (2021), it was found that companies with a high level of risk disclosure tend to have a more stable market value and an increased level of investor confidence. This is in line with signaling theory, which states that risk disclosure is a positive signal to the market about a company's ability to manage uncertainty and maintain long-term financial stability.

From a theoretical perspective, the results of the analysis show that stakeholder theory and signaling function as a complementary conceptual framework in explaining this phenomenon. Stakeholder theory emphasizes that companies are obliged to meet the interests of various parties by providing accurate and relevant information about the risks faced. Meanwhile, signaling theory explains that companies that publicly disclose risks are sending positive signals to the market about the strength of governance and management's ability to handle uncertainty. These findings are reinforced by Amrin (2019), who shows that companies with good governance characteristics are better able to use risk disclosure as an effective communication strategy to investors.

Another study by Harun et al. (2020) shows that risk management disclosure practices also have an influence on company value. By applying the principles of transparency and good risk disclosure, companies can reduce the uncertainty felt by investors and increase the perception of business stability. This research confirms that risk disclosure is not only a regulatory obligation, but also a strategic tool in building a reputation and competitive advantage. These results are in line with the study by Zubeltzu-Jaka et al. (2018) which found that the positive relationship between governance and risk disclosure contributes to the increase in the value of companies in the Indonesian capital market.

Furthermore, research by Sari and Sholikhah (2019) indicates that governance components such as independent commissioners, audit committees, and institutional ownership simultaneously affect the level of liquidity risk disclosure. This means that the stronger the supervisory function and the participation of institutional shareholders, the higher the tendency of companies to report financial risks openly. Similar results were obtained by Alfraih (2018) who highlighted that the implementation of good corporate governance and institutional shareholder involvement contribute to increased corporate value through more effective risk disclosure mechanisms.

Nevertheless, some studies have also shown inconsistent results. Some studies have found that the influence of ownership structures on risk disclosure can be negative or insignificant under certain conditions. For example, research by Amrin (2019) revealed that too high managerial ownership can reduce management's motivation to disclose risks broadly due to potential conflicts of interest. These inconsistencies reflect the complexity of the relationships between variables and indicate the presence of contextual influences, such as regulations, market pressures, and organizational culture, on the implementation of corporate governance and transparency.

In addition to internal factors, the results of the study also reveal the importance of external contexts such as the regulatory environment and government policies. In developing countries, weak levels of external oversight often lead to low quality of risk disclosure. Instead, the implementation of international reporting standards such as IFRS encourages companies to adopt higher transparency practices. In this context, a study by Aryani and Hussainey (2017) shows that the implementation of new regulations related to risk reporting in Indonesia has a positive impact on increasing the level of information disclosure, although its implementation still faces challenges in certain sectors.

The results of the research studied in this study show that there is a consensus that a combination of proportionate ownership structures and effective corporate governance is able to create a more transparent and credible risk reporting system. Adequate risk disclosure not only serves as a communication tool for shareholders and investors, but also serves as a strategic means to strengthen a company's reputation and increase market value. Nevertheless, the mixed results of various studies suggest the need for further empirical studies to understand the mediating and moderation factors that may influence this relationship.

Thus, the results of this literature review confirm that risk management disclosure practices are a reflection of the quality of corporate governance and the ownership structure applied. In a modern business environment full of uncertainty, transparency and accountability are important foundations in maintaining the sustainability of the company and strengthening the relationship between the organization and stakeholders.

5. Discussion

The results of this study show that corporate governance and ownership structure play a significant role in the level of risk management disclosure. This relationship is not only direct, but is also mediated by a variety of internal and external factors that influence managerial behavior in managing risk and maintaining transparency. From the perspective of stakeholder theory and signaling, the practice of risk disclosure can be understood as a form of social responsibility as well as a corporate communication strategy. Stakeholder theory emphasizes that companies have a moral obligation to provide relevant information to all interested parties so that business decisions can be made rationally and fairly (Truant et al., 2017). Meanwhile, signaling theory views that risk disclosure is a positive signal to the market that shows the strength of governance and management's ability to control uncertainty (Salem et al., 2019).

The relationship between ownership structure and risk disclosure also shows an interesting pattern. Companies with higher proportions of public and institutional ownership tend to show greater levels of openness due to external pressure on management to be transparent (Fabrizio & Kim, 2019). Conversely, the dominant concentration of ownership in management or family can create barriers to risk disclosure due to potential conflicts of interest. In this context, governance mechanisms such as independent boards of commissioners and audit committees play a role as balance keepers so that management continues to carry out reporting functions accountably. Research by Elamer et al. (2020) supports this view by asserting that the effectiveness of independent boards can broaden the scope of risk disclosure and increase investor confidence.

In addition to internal influences, the external environment also has an important contribution. Reporting regulations and pressure from global financial institutions have also encouraged companies to align their governance practices with international standards. The results of a study by Aryani and Hussainey (2017) revealed that the update of risk reporting policies in Indonesia has increased corporate awareness of the importance of information disclosure, although its implementation still faces structural obstacles in several industry sectors. This shows that the role of governments and supervisory institutions is very important in strengthening the transparency infrastructure in the capital market.

On the other hand, the diverse findings of previous research suggest that the relationship between governance, ownership structures, and risk disclosure is contextual and not universal. Organizational culture factors, market pressures, and the maturity level of the governance system in each country play a role in determining how transparency is implemented. For example, a study by Feng et al. (2020) indicates that companies that implement formal governance do not necessarily have a high level of risk disclosure if they are not balanced with integrity and ethical awareness at the managerial level. This reinforces the argument that corporate governance is not just an administrative system, but an organizational culture that should be embedded in daily practice.

Thus, the results of this discussion emphasized the importance of synergy between ownership structures, governance, and regulatory support in encouraging corporate transparency. Effective governance creates an environment conducive to information disclosure, while a balanced ownership structure strengthens oversight of management. Going forward, more in-depth empirical research is needed to explore the role of moderation of external variables such as environmental policy, digitalization of reporting, and corporate reputation on risk disclosure practices in various industry sectors.

6. Conclusion

Based on the results of the literature review, it can be concluded that corporate governance and ownership structure have an important role in determining the level of risk management disclosure. The implementation of good governance, through mechanisms such as an independent board of commissioners, audit committees, and risk management oversight, has been proven to increase transparency and strengthen stakeholder trust in the company. A balanced ownership structure between managerial, public, institutional, and foreign ownership encourages the creation of a more open reporting system due to a combination of internal and external pressure on management to act accountably. In addition, stakeholder theory and signaling provide a strong conceptual framework for understanding a company's behavior in disclosing risks.

Through the lens of this theory, risk disclosure is seen not only as a regulatory obligation, but also as a communication strategy that reflects the integrity and quality of governance. This study confirms that effective risk disclosure practices are a reflection of the overall health of the organization and are an important factor in building a company's reputation and value. With increasing business complexity and global uncertainty, companies are required to strategically integrate governance and risk management into their operations. This research is expected to serve as a foundation for future empirical studies to explore the causal relationship between governance mechanisms, ownership structures, and risk disclosure levels in various industry contexts, as well as promote the formation of a sustainable culture of transparency.

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