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Research Article

The Effect of Company Size, Profitability, and Risk of the Company on the Existence of Risk Management Committee in Idx30 Indexed Companies In Indonesia Stock Exchange, 2012-2017

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Abstract: This study aims to examine the effect of company size, profitability, and company risk on the existence of a Risk Management Committee. The sample used is IDX30 indexed companies listed on the Indonesia Stock Exchange for the period 2012-2017. By using purposive sampling technique in selecting samples, 15 companies obtained data for six years that resulted in 90 observations, the data was then processed using panel data multiple regression analysis. The results show that company size, profitability, and company risk has a positive effect on the existence of the Risk Management Committee.

Keywords: Risk Management Committee, Firm Size, Profitability, Risk.

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INTRODUCTION

Risk is an inherent uncertainty and must be faced by both individuals and organizations. As mentioned in the Minister of Finance Regulation No. 142 / PMK.010 / 2009, "risk is the potential for an event to cause a loss". Ineffective management of company risk has the potential to result in losses or even bankruptcy. More broadly, poor risk management can also trigger a greater crisis.

Since the economic crisis that hit the United States in 2008, the global economic community began to realize the importance of applying risk management to companies. Attention to risk management began to surface. Not only limited to the ranks of company management, discussions related to risk management also became a topic that began to be debated both at the level of regulators and academics in various parts of the world, including Indonesia.

At an early stages, the discussion on risk is still very narrow and more specific, such as interest rate risk, exchange rate risk, and commodity risk (Fraser and Simkins, 2016). In its later development, the focal point of risk has begun to expand to cover all aspects of potential corporate risks that require specific and separate risk management.

Corporate risk management has long been discussed in company management. However, research related to this has only emerged in the last few decades. In its later development, several institutions related to risk management began to emerge, including Standard and Poor's and Moody's, which are rating agencies through a risk assessment of an economic entity globally. In addition to rating agencies, there are also institutions under the auspices of the government, namely the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the United States that have compiled a conceptual framework for corporate risk management for the management and board of directors of all companies in the United States.

The financial crisis in the United States that caused several large companies to collapse is the result of weak risk management that has been tends to be neglected. Not only in the United States, the implementation of corporate risk management in several industrial countries in the world including Indonesia is still disappointing. Risk management is still not fully implemented by many companies. Survey results show that only 25% of large companies have implemented risk management independently, some other companies have tried to apply risk management

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and failed, some have even just started, and most others are trying to implement risk management in modest conditions (Beasley et al. , 2014). As a result, several companies experience conditions of failure in risk management. The 2008 financial crisis caused substantial losses to 50,000 companies in 12 countries including Poland, 2 Latin American countries, and 9 countries in the Asian region (Hassan et al., 2012). Some of them are Transmile Berhard which was found later and there was an error in recording accounting for company income (2004-2006), PT. Bakrie & Brothers (2013) and PT. Merpati Nusantara Airlines (2014) affected by debt risk, PT. Telekomunikasi Selular, Tbk. (2011) and PT Lion Mentari Airlines (2013) related to operational risk, as well as PT. SMART, Tbk. (2009) related to environmental risks. The absence of a clear concept related to the application of risk management is believed to be one of the contributing factors.

Anticipatory measures related to weak corporate risk management in various countries of the world have begun to be applied consistently. Several regulations and standards were issued to accommodate this, some of which were Australian / New Zealand Risk Management Standard 4360, Tillinghast Towers Perrin, and The Conference Board of Canada (Fraser and Simkins, 2016). In Indonesia, efforts to mitigate corporate risk have been made since the beginning when Indonesia was hit by the monetary crisis in 1998. The Government of Indonesia through SOE Ministerial Decree No. 117 / M-MBU / 2002 concerning the Implementation of Good Corporate Governance Practices in SOEs emphasized the need for corporate risk management as an integral concept in the practice of good corporate governance. To refine this practice, additional supporting institutions called the "Committees" in the structure of supervision (Supervisory organs) of companies that adopt a two-tier board system in Indonesia are needed.The existence of a risk management committee represents an increase in the application of the concept of Corporate Governance to the company.

Implementation of corporate risk management in Indonesia continues to be refined over time. Furthermore, Bank Indonesia through Regulation Number 5/8 / PBI / 2003 which was later refined through Regulation Number 11/25 / PBI / 2009 regulates the obligation of the banking industry to implement risk management in its operational activities. In addition, through the Minister of Finance Regulation No. 142 / PMK.010 / 2009, the government reaffirms the importance of implementing risk management for companies in Indonesia. In response to this, the company began to take initiatives to give top priority to the implementation of corporate risk management in improving corporate governance systems (Subramaniam, Mcmanus, and Zhang, 2009).

The concept of risk management that has developed widely now has a very complicated structure and process (Ratnawati, 2012). The function of corporate risk management will be more effective and quality if carried out by a special committee (the Risk Management Committee) separately from other committees, such as the audit committee (Turpin and DeZoort, 1998). The risk management committee (Risk Management Committee) is one of the instruments of the Board of Commissioners that has the function of overseeing and controlling potential risks that will be faced by the company in the future (Ratnawati, 2012). The development of Risk Management Committee (RMC) in Indonesia has increased since the last decade. The existence of RMC is believed to be an effort to apply the best concepts in implementing GCG in companies in Indonesia. The banking industry initiated the implementation of risk management carried out by RMC as a corporate obligation through Bank Indonesia Regulation Number 8/4 / PBI / 2006. However, the existence of the RMC in the industrial sector other than banking is still voluntary. As the findings of KPMG (2005) in Subramaniam et al. (2009) that the majority of companies still integrate the company's risk management function in the audit committee. Companies in Indonesia still adhere to the Attachment to Bapepam Decree Number Kep-29 / PM / 2004 where one of the duties and responsibilities of the audit committee is to carry out the supervisory function in the company's risk management. As a result, too broad the duties and responsibilities of the audit committee have the potential to reduce the quality of the implementation of the company's risk management to run effectively (Wahyuni and Harto, 2012). Thus, separating the functions of the RMC from the audit committee is expected to improve the quality and effectiveness of the company's risk management in mitigating the company's potential risks in the future.

The existence of RMC in companies in Indonesia is still voluntary, but some companies go public besides the banking sector have begun to implement RMC separately. Many factors affect the existence of RMC, one of which is the size of the company (Ratnawati, 2012). Large companies have wider stakeholders, so that the decisions of large company management will have a greater impact on the public interest compared to smaller companies.

The size of a large company that continues to grow indicates a high level of profitability as well (Prasetia et al., 2014). Companies that have a high level of profitability are followed by complex management. This can trigger a large level of company risk, including financial, operational, reputation, regulatory, and information risk. This means that the greater the profitability of the company, the higher the potential risk so that the existence of RMC will be increasingly needed.

Another factor that can affect the existence of RMC in a company is the level of risk itself. The risk referred to in this study is systematic risk or market risk (Prasetia et al., 2014 and Wahyuni and Harto, 2012). Systematic risk can have an impact on all market members (companies). This risk can be minimized by establishing RMC in the company.

Studies related to risk management began to increase since 1990, pioneered by several research report institutions, such as The Group of Thirty Report (United States), CoCo (The Criteria of Control Model) developed by The Canadian Institute of Chartered Accountants, The Toronto Stock Exchange Report , and The Cadbury Report in the United Kingdom (Fraser and Simkins, 2016). However, research related to risk management in Indonesia is still relatively limited (Ardiansyah and Adnan, 2014), even though the issue of risk management is very important, especially for investors and shareholders. This makes research on risk management interesting to be investigated further. This study will attempt to examine the determinants of the existence of a risk management committee in companies incorporated in the IDX30 index on the Indonesia Stock Exchange.

LITTERATURE REVIEW AND HYPOTHESIS DEVELIOPMENT

Agency Theory

In agency theory, each party, both principal and agent, has a rational motive that tends to try to meet the interests of each party. This has the potential to create a conflict of interest between the principal and agent. To reduce the conflict of interest, there are two ways that can be taken by the principal (Jensen and Meckling, 1976):

1. Implement audit functions for and corporate governance mechanisms to oversee agent behavior.
2. Providing incentives to agents that are packaged in attractive rewards, to persuade agents to behave as expected by the principal.

Supervision is an important factor in realizing the concept of good corporate governance. Supervision activities can reduce the potential for information asymmetry problems occurring within the company. In the perspective of agency theory, there are two general concepts about supervision, namely internal supervision and external supervision. The internal oversight mechanism is carried out by the board of commissioners and the committees below (Chen et al., 2009), while the external oversight mechanism is carried out by external auditors (Subramaniam et al., 2009).

The Risk Management Committee (both independent and incorporated in the Audit Committee) formed by the board of commissioners is an embodiment of the concept of good corporate governance that is effective in addressing agency issues that will affect the course of the company. Agency theory formulates a set of mechanisms to overcome potential agency problems by implementing internal supervision by the board of commissioners (Fama and Jensen, 1983). The monitoring system is designed to evaluate company performance and is expected to explain agency problems that occur. According to Schoeck (2002) in Wijananti (2015), the application of risk management carried out by the risk management committee specifically can reduce agency problems and increase company value.

Company Size

Company size is one of the important factors that can influence the formation of new committees in the company's organizational structure (Chen et al., 2009). Companies that have a large size tend to have the potential to have large agency problems (Jensen and Meckling, 1976). Therefore, large companies implement corporate governance better than small companies, including one of which is the establishment of RMCs to minimize greater risk. In addition, companies with large size will tend to maintain their reputation by practicing Good Corporate Governance, especially risk management activities (Chen et al., 2009).

Company size is a measure that classifies the size or size of a company (Ratnawati, 2012). Based on the study of Fitriani (2001) in Paramita (2012), there are three indicators that can be used to calculate company size, namely total assets, net sales, and market capitalization. The higher the total value of assets, net sales, and market capitalization shows the greater the size of the company. As with Paramita (2012), compared to other indicators, total assets are considered to reflect the actual size of the company.

Profitability

Profitability is the company's ability to generate profits or profits for one year (Hartanto et al., 2018; Mutia, Zuraida, and Andriani, 2011). Profitability describes the return ratio that a company can obtain at the level of sales, assets, and share capital (Maharani and Suardana, 2014). Companies with high profitability will attract more investors to have company shares. Investors will be a strong external control for companies to implement corporate risk management practices (Kumalasari et al., 2014).

There are several measurements of profitability, one of which is Return on Assets (ROA). ROA illustrates the ability of capital invested in the overall assets of the company to generate profits (Maharani and Suardana, 2014).

ROA is an indicator commonly used to measure profitability. The greater the value of ROA shows the greater the level of profitability of the company. The amount of ROA is influenced by two factors, namely:

a. Turnover rate of assets used for operations (assets turnover).
b. Profit margin, which is the amount of operating profit expressed in percentage and net sales.

In the Profit margin approach, ROA is calculated by dividing net profit after tax on sales. Efforts to increase ROA with this approach are related to efforts to improve efficiency in the production, administration and sales sectors. Whereas in the assets turnover approach, ROA is calculated using a comparison of net profit after tax with total assets. Efforts to enhance ROA with the assets turnover approach is a policy in investing funds for various assets both current assets and fixed assets.

ROA or often also called ROI (Return on Investment) is used to measure the effectiveness of the company in generating profits by utilizing its assets. This ratio is the most important ratio among other profitability / profitability ratios. The greater ROA / ROI shows the better performance, because the stock returns are getting bigger.

Company Risk

Risk cannot be separated from every business activity. The more complex the business, the higher the level of risk faced by the company. Vulnerable risk is associated with negative results, and is generally seen as a situation that has the potential to cause harm. According to Parengkuan (2010) risk is defined as a deviation between what is expected and the reality that occurs. Meanwhile, (Vaughan and Vaughan, 2008: 2) defines risk in several meanings, namely as an opportunity that causes loss (Risk is the change of loss), as a possibility of loss (Risk is the possibility of loss), as an uncertainty (Risk is Uncertainty), as a deviation of the actual outcome from the expected (Risk is the dispersion of the actual from the expected result), and as a possibility of something different from the expected (Risk is the probability of any outcome different from the one expected).
Risk is generally associated with an uncertainty that can cause unexpected losses. According to Prasetia et al. (2014), risk is divided into two groups, namely:
a. Systematic risk (market risk).
b. Systematic risk (market risk) is risk that can have an impact on market members as a whole. This type of risk is often called general risk.
c. Risk is not systematic.

Unsystematic Risk (Unsystematic Risk) is a risk that only impacts the related company. This type of risk is often called specific risk. Companies can still make control efforts if exposed to unsystematic risk, such as by diversifying portfolios or by various other investment strategies.

Risks cannot be avoided by companies, but can be minimized with the right decision. The right decision requires competent parties to carry out the risk management function faced by the company. Therefore, the existence of a risk management committee is considered effective to be applied to the company.

The existence of the Risk Management Committee

Risk management is a process of identification, measurement, and financial control of potential risks that threaten the assets and revenues of a company that can cause company losses (Smith, 1990). The application of risk management is inseparable from the company's efforts to reduce the potential for higher risks amid the complex dynamics of business today. High awareness of the application of risk management is also caused by some bad experiences faced by companies that have the potential for unexpected business failures.

In the concept of good corporate governance, the application of corporate risk management is one of the top priorities integrated in the aspects of corporate supervision. The supervisory role related to risk management is generally borne by the Audit Committee (Krus and Orowitz, 2009). In Indonesia, one of the duties and responsibilities of the audit committee is to carry out a supervisory function in the company's risk management which also includes risk identification and risk evaluation to minimize risk (BAPEPAM, 2004). But companies need a committee that can give full attention to risk supervision so that the company's risk control mechanism can run effectively (Krus and Orowitz, 2009). The importance of supervision and control of business risks faced by the company is the reason for the formation of the Risk Management Committee. The Risk Management Committee (RMC) in its formation consists of the RMC incorporated in the Audit Committee and the RMC which is independent (separate from the Audit Committee). Stand-alone RMC has a higher quality control than RMC that is integrated with the Audit Committee. The RMC, which is affiliated with the Audit Committee, in addition to having the responsibility for overseeing risk management, also has the same responsibilities in financial reporting and audit functions.

Several large companies have begun to pay more attention to corporate risk management by forming a risk management committee. The risk management committee (RMC) is believed to be an important element in the supervision system by the company's board of commissioners (Subramaniam et al., 2009). RMC is responsible for assisting the Board of Commissioners to carry out the oversight function of the company's risk management. M. Krus and L. Orowitz (2009) emphasized the importance of the existence of a separate RMC so that the company's risk management function runs more effectively than the RMC which is integrated with the audit committee.

The Effect of Company Size on the Existence of the Risk Management Committee

Large companies have higher business complexity than small companies. The more complex the company, the higher the potential risk faced by the company. Large size companies also have large agency costs (Jensen and Meckling, 1976). Therefore, large companies tend to apply the concept of corporate governance better than small companies (Andarini and Januarti, 2012). This is caused by the large amount of corporate responsibility to the stakeholders that is very broad.

The high potential risks faced by large companies have an impact on the high need for better oversight functions. This encourages strong pressure to implement effective risk management. The establishment of a separate RMC is considered very appropriate for managing company risk effectively. The findings of Andarini and Januarti (2012) and Wahyuni and Harto (2012) show that company size has a positive effect on the existence of RMC in the company. This is because companies with large sizes tend to pay more attention to the implementation of Good Corporate Governance to maintain their reputation in the eyes of the public and investors (Chen et al., 2009). **H1: Company size has a positive effect on the existence of the Risk Management Committee.**

The Effect of Profitability on the Existence of the Risk Management Committee

Companies with greater profitability will tend to control and disclose risks better than companies with smaller profits. This is done to show that management is able to run a company with good, effective and efficient performance (Sudarmadji and Sularto, 2007). In other words, companies that have greater profits will disclose risk information more broadly (Kumalasari, Subowo, and Anisykurlillah, 2014). The quality of broad risk disclosures reflects the effectiveness of the company's risk control system.

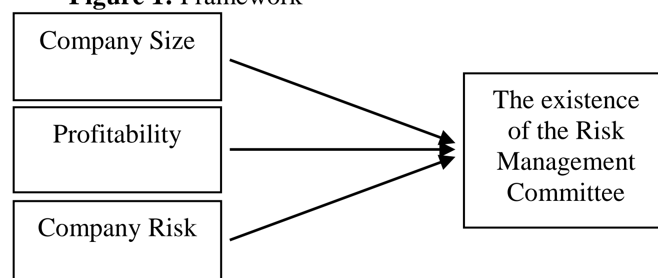
On the other hand, profitability can be used as a benchmark in choosing alternative financing for companies (Kumalasari et al., 2014). companies with a high level of profitability generally have high attractiveness for investors and potential creditors. Therefore, management tends to design better risk control systems to increase the confidence of investors and creditors related to their compensation to the company. The study conducted by Kumalasari et al. (2014) and Aljifri and Hussainey (2007) found that the level of profitability had a positive effect on company risk management. **H2: Profitability has a positive effect on the existence of the Risk Management Committee.**

The Effect of Company Risk on the Existence of the Risk Management Committee

Company risk which in this study uses a systematic risk basis (market risk) is a risk that has the potential to cause harm to the company due to portfolio market price movements (Samsul, 2006 in Wahyuni and Harto, 2012). This systematic risk is felt by all market members. Systematic risk can be minimized by appropriate portfolio diversification (Wahyuni and Harto, 2012). For this reason, a party is required to analyze specifically related to the systematic risk. The existence of a risk management committee in particular that is separate from the audit committee is believed to be effective in controlling this potential market risk.

H3: Company risk has a positive effect on the existence of the Risk Management Committee.

Figure 1: Framework



RESSEARCH METHOD

Population and Sample

The population in this study is all companies indexed by IDX30 listed on the Indonesia Stock Exchange during the 2012-2017 period. This population was chosen because the company indexed by IDX30 is a company that has high liquidity and capitalization among other companies listed on the Indonesia Stock Exchange. In addition, the company also has a high trading volume so it is believed to have a high attractiveness in the capital market system in Indonesia. To get a sample that suits the purpose of this study, the sample selection is done using a purposive sampling method, namely the selection of samples in a population that has the most appropriate information with the specified criteria. These criteria are as follows:

1. Companies indexed on IDX30 on the Indonesia Stock Exchange (IDX).
2. Companies that are in the IDX30 index during the 2012-2017 period in a row.
3. Companies that publish annual reports and can be downloaded through the respective company websites or the Indonesia Stock Exchange website.
4. Companies that have a Risk Management Committee.
5. Companies that have positive financial performance.

The sample selection resulted in as many as 15 companies meeting the criteria. The observation period is determined for six years, namely 2012-2017 on selected sample companies. Thus, the total observations produced were as many as 90 observations.

Variable Definition and Operationalization

The existence of the Risk Management Committee

The risk management committee (RMC) is one of the elements responsible to the Board of Commissioners to carry out the company's risk management oversight function. The concept of RMC in this study is measured by dummy values. A score of 1 for companies that hold RMC and a score of 0 for companies that do not host RMC (Subramaniam et al., 2009).

Company Size

The size of the company can give an idea related to the size of the company (Andarini and Januarti, 2012). Company size can be assessed in various ways, using total assets (Subramaniam et al., 2009), logarithms of total assets (Andarini and Januarti, 2012; Chen et al., 2009), and natural logarithms of total assets (Wang, 2015). Seeing the variance in the total assets of the sample companies has a significant comparison, this study uses a natural logarithmic measure of total assets to assess company size.

Profitability

Profitability is one way to assess the management performance of a company. Meanwhile, the level of profitability is a depiction of the company's profit position (Kumalasari et al., 2014). Previous studies used net profit margins to assess profitability, which is a comparison between net income and net sales (Kumalasari et al., 2014; Aljifri and Hussainey, 2007).

Company Risk

Company risk in this study uses a systematic risk perspective (market risk) which is a risk that can affect all market participants due to portfolio market price movements (Samsul, 2006 in Wahyuni and Harto, 2012). Risk is measured using beta (β). Beta is an appropriate measure for market indexes related to well diversified risk depending on the sensitivity of each stock to changes in market prices (Djalil, Tabrani, and Jalaluddin, 2016). Previous studies used beta (β) to assess company risk (Wahyuni and Harto, 2012; Prasetia et al., 2014). According to Prasetia et al. (2014), beta (β) shows the relationship between the movement of a company's stock prices and its market.

To calculate beta (β) the formula is used:

$$\beta = \frac{(\sum data \sum Rm * Ri - \sum Rm \sum Ri)}{(\sum data \sum Rm^2 - (\sum Rm)^2)}$$

Where,

$$Rm = \frac{P_{it} - P_{it}\text{-}1}{P_{it}\text{-}1}$$

$$Ri = \frac{P_{it} - P_{it}\text{-}1 + D_{it}}{P_{it}\text{-}1}$$

Information:

Rm = market return
Ri = Return Stock
Pit = Stock Price at time t
Pit-1 = Stock Price at time t-1
Dit = Dividend Value of the Company at time t

Analysis Method

This study uses multiple linear regression analysis methods with panel data to test the variables studied. This analysis aims to look at the influence of company size variables, institutional ownership, and profitability on the existence of an IDX30 indexed company risk management committee listed on the Indonesia Stock Exchange during 2012 to 2017. In this study, the regression equations used are:

$$RMC_{i,t} = a + b_1SIZE_{i,t} + b_2PROFIT_{i,t} + b_3RISK_{i,t} + e$$

Where RMCi, t is the existence of the company's Risk Management Committee i in the period t, SIZEi, is the Size of the Company i in the year t , and e is the standard error.

RESULTS AND DISCUSSIONS

Description of Research Object

This study aims to examine the effect of company size, profitability, and company risk on the existence of risk management in companies indexed by IDX30 on the Indonesia Stock Exchange (IDX) in 2012-2017. The data used in this study are balanced panel data, where each cross sectional unit has the same number of observations for each period. The population in this study is IDX30 indexed companies listed on the Indonesia Stock Exchange (IDX) during the 2012-2017 period. The selection of companies indexed by IDX30 is because these companies are the most liquid companies and have excellent performance, so they are more attractive to investors. The population in this study was 30 companies. The sample selection uses a purposive sampling technique that produces 15 IDX30 indexed companies listed on the IDX during the 2012-2017 period. The selection of this research period is based on looking at the development of the company's risk management committee in 2012 to 2017. The analysis unit for six years of observation from 2012-2017 obtained a total sample of 90 observations.

Descriptive statistics

Table 1. Descriptive statistics**:** Descriptive statistics describe the whole

	RMC	SIZE	PROFIT	RISK
Min.	0	30,11	0,09	-0,53
Maks.	1	34,66	0,92	0,37
Mean	0,6	32,38	0,31	0,0013
Std. Dev.	0,49	1,26	0,25	0,09
Observations	90	90	90	90

This table presents descriptive statistics of all variables tested. FV is firmvalue measured by stock price. G, W, and E is the disclosure of gas emission, solid waste, and effluent measured by *dummy* variable using content analysis method based on specific criteria ranging from 0 to 6. EPS is earnings per share measured by earnings per share value in firm's financial report. BV is book value measured by total equity divided by total outstanding stock. EP is environtmentalperformance measured by*dummy* variable using PROPER index ranging from 1 to 5.

This table presents descriptive statistics of all variables studied. RMC is the existence of a Risk Management Committee measured using dummy values 1 and 0. SIZE is a Company Size measured using the Natural Total Asset Logarithm. PROFIT is the level of profitability measured using the net profit margin. RISK is a Company Risk measured
using Beta.

Table.1 illustrates descriptive statistics of the existence of the Risk Management Committee as the dependent variable and the independent variable namely Company Size, Profitability, and Company Risk.

The average value of the Existence of the Risk Management Committee is 0.60 with a minimum value of 0 and a maximum value of 1. This shows that as many as 60% of companies indexed by IDX30 on the Indonesia Stock Exchange for the period 2012-2017 have a separate Risk Management Committee from the Committee Audit.

The average value of company size is 32.38 with a minimum value of 30.11 and a maximum value of 34.66. This shows that the average company indexed IDX30 on the Indonesia Stock Exchange in the period 2012-2017 has a relatively large size of the company.

The average value of profitability is 0.31 with a minimum value of 0.09 and a maximum value of 0.92. This shows that the average company indexed IDX30 on the Indonesia Stock Exchange in the period 2012-2017 has a relatively low profitability level.

The average value of Company Risk is 0.0013 with a minimum value of -0.53 and a maximum value of 0.37. This shows that the average company indexed IDX30 on the Indonesia Stock Exchange in the period 2012-2017 has a relatively low level of risk.

Classic assumption test

A good regression model must have linear and unbiased results in order to be analyzed further. To obtain the results, this study uses a classic assumption test, which is the Normality Test, Muktikolinieritas Test, Heteroskedastisitas Test, and Autocorrelation Test.

Normality test

Normality test aims to test whether the dependent variable, the independent variable, and both in a regression model is normally distributed or not. A good regression model is one that has normal or near normal distribution data. Data normality test is done through statistical analysis using statistical tests *nonparametric one sample Kolmogorov-Smirnov*.

Table 2: Normality Test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		90
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	,40894661
Most Extreme Differences	Absolute	,136
	Positive	,136
	Negative	-,125
Kolmogorov-Smirnov Z		1,294
Asymp. Sig. (2-tailed)		,070

a. Test distribution is Normal.

b. Calculated from data.

Based on Table 4.2 it can be seen that the Asymp value. Sig. (2-tailed) of 0.070> 0.05. This shows that the residual data is normally distributed. After the variables are normally distributed then the data can be used to test other statistics.

Multicollinearity Test

Data multicollinearity test can be done by looking at the amount of VIF (Variance Inflation Factor) and tolerance value. A regression model that is free from multicollinearity has a VIF number around 1 and tolerance numbers close to one. The results of multicollinearity testing can be seen in Table 4.3, if the tolerance value <0.1 or VIF> 10, there will be multicollinearity. Conversely, if the tolerance value> 0.1 or VIF <10, there will be no multicollinearity.

Tabel 3: Multicollinearity Test

	Tolerance	VIF
SIZE	0,600	1,667
PROFIT	0,594	1,684
RISK	0,982	1,019
Observations	90	90

Table 3 shows the VIF value and tolerance of each variable, namely company size, profitability, and company risk. The tolerance value for the three variables> 0.1 and the VIF value <10. Based on these results it can be concluded that the regression model used is free from multicollinearity between independent variables.

Heteroscedasticity Test

Heterokedastisitas test is an indication that the variance between residuals is not heterogeneous which results in the estimated value obtained is no longer efficient. One way that can be used to detect the presence or absence of heterokesdasticity can be seen by using scatterplot graphs done by looking at the presence or absence of certain patterns on the scatterplot graph, so as to produce data as shown in Figure 2.

Figure 2. Scatterplot graph

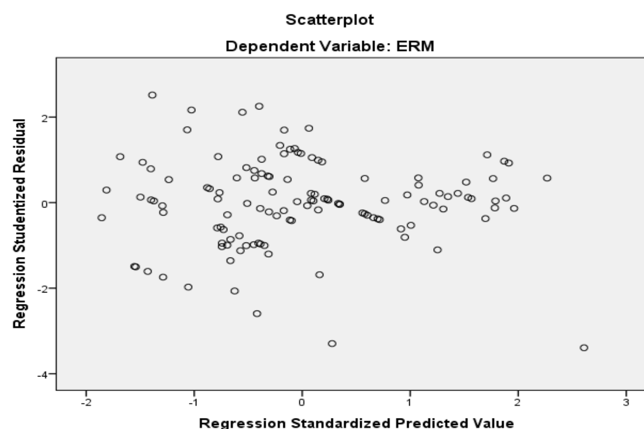


Figure 2 shows no clear patterns, and the points spread above and below the number 0 on the Y axis, it can be ascertained that there is no heteroscedasticity.

Autocorrelation Test

Autocorrelation test is performed to test whether the linear regression model has a correlation of disturbance errors between the t period and the confounding errors in the t-1 period (before). Testing autocorrelation in this study uses the Durbin-Watson statistical test. To find out whether there is autocorrelation, you should look at the Durbin-Watson test values in Table 4.

Table 4: Autocorrelation Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,558[a]	,311	,287	,416	1,897

a. Predictors: (Constant), β, SIZE, PROFITABILITAS

b. Dependent Variable: KOMITEMANAJEMENRISIKO

Based on the test results show that the calculation of the Durbin Watson table with a probability level of 5% for 90 samples (n) produced dU = 1,703 and 4-dU = 2,297. The Durbin Watson value is 1.897 greater than the dU value and smaller than the 4-dU value or dU ≤1.889 7 4-dU. So as the decision making from Durbin-Watson can be concluded that there is no autocorrelation in the data.

Regression Results

This research is a research by testing hypotheses using multiple linear regression analysis (multiple regresion analysis) methods. Multiple linear regression methods connect one dependent variable with several independent variables in a research model to determine whether there is an influence between the independent variables on the dependent variable. Multiple linear analysis is used to obtain a regression coefficient that will determine whether the hypothesis made will be accepted or rejected. This regression analysis uses a significance level of 0.05 or 5%. The regression results obtained are shown in Table 5.

Table 5. Regression Results

Variables	Expected Sign	Coefficient	Prob.
SIZE	(+)	0,041	0,003
PROFIT	(+)	0,729	0,002
RISK	(+)	1,570	0,001
C		-0,945	0,509
Observations	90		
Determination R- Square	0,311		
Prob. (F-statistic)	0,000		

Table 5 presents the results of the regression analysis of all variables studied. Company Size, Profitability, and Company Risk have a significant effect on the existence of the IDX30 indexed Risk Management Committee listed on the Indonesia Stock Exchange (BEI) for the period of 2012-2017. Value of the coefficient of determination 31.1% indicates that the variation in the presence of IDX30 indexed company Risk Management Committees listed on the Indonesia Stock Exchange in the period 2012-2017 was caused by all independent variables in this study, namely company size, profitability, and company risk, while the remaining 68.9% affected by other variables not explained in this study.

The results of this study are in line with research conducted by Andarini and Januarti (2012) who found that company size affects the existence of a Risk Management Committee, as well as research conducted by Subramaniam et al. (2009) which states that the establishment of a separate and integrated Risk Management Committee has a positive effect on company size. Chen et al. (2009) stated that companies with large size tend to apply the concept of good corporate governance better to maintain their reputation, including one of which is the tendency to form new committees (Risk Management Committee). Therefore, the results of this study support the first hypothesis.

The results of this study confirm that the level of profitability has a positive effect on the existence of the Risk Management Committee in line with research conducted by Kumalasari et al. (2014) and Aljifri and Hussainey (2007). Companies with a high level of profitability will tend to attract investors to take ownership of the company's shares. The more parties who have a company, the stronger the pressure from external parties to control and supervise the company's performance (Agista and Mimba, 2017). The practice of control and supervision carried out is the disclosure of risk management that can reduce agency problems so as to mitigate potential losses incurred by the company. Welcoming this, the company will apply the concept of good corporate governance better, where one of them is to form a Risk Management Committee for more effective risk management. Therefore, the results of this study support the second hypothesis.

The results of this study are not in line with the research of Wahyuni and Harto (2012) which states that company risk does not have a positive effect on the Risk Management Committee. Companies with a high level of risk are likely to make maximum efforts to manage their risks as well as possible, where one way is to establish a Risk Management Committee that has a specific task for risk management. Systematic risk can be minimized by appropriate portfolio diversification (Wahyuni and Harto, 2012). For this reason, a party is required to analyze specifically related to the systematic risk. The existence of a risk management committee, especially separate from the audit committee, is believed to be effective in controlling this potential market risk. The results of this study support the third hypothesis.

CONCLUSIONS AND LIMITATIONS

1. Company size has a significant effect on the existence of the Risk Management Committee in companies indexed by IDX30 on the Indonesia Stock Exchange in 2012-2017.
2. Profitability has a significant effect on the existence of the Risk Management Committee in companies indexed by IDX30 on the Indonesia Stock Exchange in 2012-2017.
3. Company risk has a significant effect on the existence of the Risk Management Committee in companies indexed by IDX30 on the Indonesia Stock Exchange in 2012-2017.

Some limitations of this study include: (1). This research sample is only limited to 15 IDX30 indexed companies listed on the Indonesia Stock Exchange during 2012-2017, so it cannot be generalized to all companies listed on the IDX. (2). This study only analyzes a few factors, while there are still many corporate governance factors, company characteristics, and other variables that are indicated to influence the existence of the Risk Management Committee.

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