

The Effect of Financial Statement Comparability on Risk in the Indonesian Banking Sector

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ABSTRACT

The Covid-19 pandemic has had an impact on global finance, especially on the banking sector in Indonesia. Various risks are taken to continue survive. This study aims to analyze the effect of comparability of financial statements on risk in the banking industry in Indonesia which is listed on the Indonesia Stock Exchange (IDX). The data was obtained using purposive sampling, so that 38 companies were obtained during 2015-2022 which were analyzed using Eviews 9. The results of this research indicate that there is a positive relationship between banks and financial statements that are comparable to risk. This result means that the more comparable the financial statements, the higher the risk level of a bank. Next, the relationship between comparability of financial statements that does not depend on bank size shows results that are prominent in small banks than large banks. Overall, this study provides implications for unique insights about the role of comparability of financial statements in motivating and increasing the opportunistic attitude of banking management in Indonesia in risky activities. Preferably, companies engaged in the banking sector can pay attention to the relevance of the information available before undertaking risky activities. This attention needs to be done in order to foster a better attitude of caution so as to avoid the threat of loss in the future

Keywords: banking; financial statements comparability; risk.

INTRODUCTION

After the Covid-19 pandemic hit the world, including Indonesia, all business units need to be careful in taking risks related to a company's business plan. This situation indirectly forces entrepreneurs to carry out accurate analyzes of future business commercial plans, especially in the banking sector. Banking is at the center of the country's economy and is often seen as a driving force (Simatupang, 2019). In the midst of the Covid-19 pandemic, Chairman of the Board of Lembaga Penjamin Simpanan (LPS), Alamsyah (2020) revealed that currently banking operational activities are facing three major risks, namely: (1) credit risk in the small, micro and small business sector (MSMEs) which stop paying their bills; (2) market risk, decline in the rupiah exchange rate; and (3) the risk of confiscation due to timely repayment by financial institutions, which has an impact on bank cash flow. Pandemic-related restrictions are placing a burden on companies, reducing GDP and investment growth, and threatening NPL portfolio growth. Low interest rates also force banks to look for non-interest-bearing sources of income. The COVID-19 pandemic has caused turmoil in the financial and banking sectors, and the central bank responded to these conditions by conducting monetary policy stimulus. However, the monetary policy stimulus implemented by central bank to recover the economic impacts of COVID-19 pandemic believed to has side effect on bank risk-taking behavior.

Based on information revealed by Prabowo (2020), confirmed that investors are concerned about a decline in bank profitability as a result of the economic damage caused by the coronavirus. This risk also indirectly attracts sentiment from investors in the equity, bond and currency markets, which can be seen in the correction of share selling prices by around 4 percent to 5 percent. This situation which has attracted a lot of attention shows that the existence of the role of banking is to maintain financial stability and economic growth in a country (Shair, Sun, Shaorong, Atta, and Hussain, 2019).

Banking in this case plays a large-scale role in collecting and channeling people's funds effectively and efficiently for the purposes of national development, for example resulting in economic growth and national stability which has improved the standard of living of many people. Regarding this function, banks should be careful about the risks they face. This situation of course requires the banking industry to carry out appropriate analysis regarding risks, so that they are targeted and measurable. One of the basics of appropriate analysis is to use comparable financial reports.

Comparable financial reporting is essential to achieving effective communication (Hasan, Cheung, and Taylor, 2020). Comparability allows users of financial statements to identify differences and similarities in the financial performance of two companies. This means that comparability of financial reports can lead to a report that can be identified and compared, making it easier for users to understand the report for decision making, including risk (Wanaputra and Harahap, 2018). When viewed from a regulatory perspective, a lack of comparability can hinder the correct interpretation of precautionary measures and the development of adequate policy responses. Therefore, it is hoped that the existence of financial reports can help map risks more effectively and communicatively in banking industry business activities.

Based on the situation above, this research seeks to replicate research conducted previously by Hasan et al. (2020) regarding the comparability of financial reports against risks in the banking sector. A comparative financial report has communicative features to help users identify and understand similarities and differences and increase the efficiency of risk transactions (Hasan et al, 2020). The novelty in this research uses bank size which is based on Otoritas Jasa Keuangan Regulation (POJK) Number 6/POJK.03/2016 concerning Business Activities and Office Networks Based on Bank Core Capital. In addition, the financial report comparability proxy follows research conducted by (Francis, Pinnuck, and Watanabe (2014) by using total accruals calculated by subtracting profit from operating cash flow which has been scaled by total assets.

Based on facts and application of literature, the problem of this research is stated in the form of questions, namely: 1) does financial report comparability have a negative effect on risk?; 2) does the comparability of financial statements affect risks that differ according to bank size?; and 3) what control variables consist of *total assets*, *return on equity*, *capital assets ratio*, *interest income*, *loan loss provision*, *charter value*, *non-interest income*, and *maturity* influence risk? This research is expected to contribute to banks, regulators and shareholders in evaluating banking risks through the comparability of financial reports presented by the banks themselves.

Bank Risk

Risk is uncertainty that can be estimated or measured and the probability of its occurrence is known, as well as uncertainty that cannot be predicted (Brown, Jha, and Pacharn, 2015). Something similar was also expressed by Khan, Scheule, and Wu (2017) states that risk is uncertainty about future situations (future) with decisions made based on various current considerations. This means that a threat or risk is an opportunity to abandon something that is being expected.

Although banks operate within a well-defined set of regulations and are audited to ensure their compliance with risk requirements, Jin, Kanagaretnam, Lobo, and Mathieu (2013) said that bank management is considered to still have considerable discretion regarding the nature and breadth of activities that are interpreted as risky activities. Managerial discretion in terms of bank risk is magnified by the presence of moral hazard and information asymmetry, because these factors influence the type and range of investment (risk) chosen and the financing activities carried out by the bank. Bank Indonesia, as the largest financial authority in Indonesia, is of the view that prudence is the main principle that must be observed in the banking business.

Comparability of Financial Reports

Comparability reflects the extent of similarity in accounting choices between two or more companies. Financial reports become more comparable when companies operating in similar industries measure and report information in the same way. Comparative financial statements have been identified as a key mechanism that reduces information acquisition and processing costs and increases the quantity and quality of information available to external parties about the company. Studies show that comparable financial statements reduce the volatility of firm-specific returns Habib, Monzur Hasan, and Al-Hadi (2017) and increasing the informativeness of share prices (Choi, Choi, Myers, and Ziebart (2019) and efficiency of acquisition decisions (Chen, Collins, Kravet, and Margenthaler, 2018). Transparency of information originating from comparable financial reports also increases debt market participants' assessment of a company's credit risk Kim, Li, Lu, and Yu (2016) which has positive implications for the cost of debt and the debt maturity structure. This suggests that comparability of financial reports reduces managers' incentives and ability to hide bad news. Final, Chauhan and Kumar (2019) shows that foreign investors prefer to invest in companies that show better accounting comparisons or financial reporting structures.

Conceptual Framework

Comparative reporting is critical to achieving effective communication. The banking sector provides a rich setting for examining the influence between financial state comparability and bank risk for a number of reasons. First, the banking sector has an important role in maintaining economic stability and growth. Providing comparable financial reports tends to facilitate the ability of stakeholders such as investors and regulators to evaluate risks in bank operations, financing and investment activities. Second, incentives and opportunities to take risks are relatively higher in the banking sector than in other industries (Kanagaretnam, Lim, and Lobo, 2014). Excessive risk by banks can cause financial distress and macroeconomic instability. Third, focusing on the banking sector allows us to control for other determinants of cross-sectional differences in risk and the production of comparable financial statements by banks.

Chen, Collins, Kravet, and Margenthaler (2018) found that comparability of financial statements can lead to compliance and effective governance practices, enabling close monitoring and more meaningful evaluation by the board of managerial investment decisions. Next, examine whether the influence between financial statement comparability and risk depends on bank size. Previous research shows that bank risk tends to depend on bank size (Bhagat, Bolton, and Lu, 2015). However, it is important to be aware that providing comparative information to large banks is only one of a number of mechanisms designed to reduce bank risk. Given that small banks are less closely monitored by regulators, analysts and investors, the provision of comparable information by small banks is likely to have a more pronounced effect.

Hypothesis Development

Comparability of Financial Reports has a Negative Effect on Risk

Given that comparability of financial statements reduces information acquisition and processing costs, facilitates monitoring of banking activities, and lowers agency costs, banks with more comparable financial statements are associated with lower risk. Comparability reflects the extent of similarity in accounting choices between two or more companies. Financial reports become more comparable when companies operating in similar industries measure and report information in the same way. Comparative financial statements have been identified as a key mechanism that reduces information acquisition and processing costs and increases the quantity and quality of information available to external parties about the company. Studies show that comparable financial reports reduce the volatility of firm-specific returns Habib, Monzur Hasan, and Al-Hadi (2017) and increase the informativeness of stock prices Choi et al. (2019) and acquisition decision efficiency (Chen et al, 2018). First, the provision of comparable financial reports increases the transparency of information and makes monitoring managerial activities easier and less expensive; managers are expected to protect their firm's specialized human resources by choosing safe projects over risky projects.

Second, more comparable financial reports can lead to more effective compliance and governance practices around internal controls, which will reduce risk (Habib et al, 2017). This conjecture is based on the observation that comparability reduces information asymmetry between the board and management, thereby enabling better monitoring and more meaningful evaluation by the board of managerial investment decisions (Chen et al, 2018). Transparency of information derived from comparable financial reports may also encourage management to act more conservatively to reduce legal liability or reputational losses due to more risks. Research conducted by Hasan et al. (2020) found that the more comparable the financial statements, the lower the risk. These findings illustrate that comparable financial statements allow for greater monitoring of bank activities by external auditors and regulators, thereby limiting the ability of bank management to engage in risky activities.

H_1 : Comparability of financial reports has a negative effect on risk

Comparability of Financial Reports Affects Risk, Differentiated According to Bank Size

Comparison of bank financial statements and risks varies depending on the size of the bank (Hasan et al, 2020). Research conducted by Jin, Kanagaretnam, Lobo, and Mathieu (2013) found that the nature and level of risk is different for large banks and small banks due to capital requirements mandated by the relevant authorities. Khan, Scheule, and Wu (2017) found that larger banks have lower levels of risk, as indicated by Z-scores, due to lower liquidity risk. Recent studies show a positive correlation between company size (non-financial companies) and financial report comparability (Cho et al, 2019; Habib et al, 2018). The findings in this study provide evidence that large companies are considered to have a higher chance of failure because they tend to be motivated to take excessive risks in order to generate profits in the short term. On the other hand, given that large banks are subject to intensive scrutiny by regulators, investors, analysts, and other stakeholders, the availability of comparable information for large banks is one of a number of alternative mechanisms designed to reduce bank risk. This is in line with research conducted by Hasan et al. (2020) who found that the more comparable a financial report is, the lower the risk. These findings indicate that comparability of financial reports can curb excessive risks by banks through clear parameters in financial report information.

The reason is that small banks receive less regulatory supervision and are less followed by analysts and investors in general, so small banks tend to have a more pronounced effect on risk. On the other hand, research conducted by Hasan et al. (2020) found that the risks of small banks are more pronounced than those of larger banks. However, a negative relationship was found between financial report

comparability and risk for small-scale banking. This means that the more comparable a financial report is, the more small banks reduce the risk.

H₂: Comparability of financial reports has a negative effect on risk, differentiated according to bank size

Total Assets, Return on Equity, Capital Assets Ratio, Interest Income, Loan Loss Provisions, Charter Value, Non-Interest Income, and Maturity Towards Risk Taking

This research also uses several control variables consisting of total assets, return on equity, capital assets ratio, interest income, loan loss provision, charter value, non-interest income, and maturity. On the one hand, bank size can be read from the bank's total assets at the end of the year. Research conducted by Al-Qudah and Jaradat (2013) found the effect of assets on bank profitability as seen from the total assets owned by the bank. The greater the assets of a company, the greater the tendency to use funds. This suggests that asset-intensive companies may increase risk appetite in their businesses.

Second, return on equity is an effort to increase company profitability, such as providing credit to the public which is considered to have a high risk. This means that the desire to increase the company's profitability will influence the level of risk that will be taken. Study Safitri and Mukaram (2018) found a negative influence of ROE on risk taking. This is caused by the use of debt to finance the company's risky activities.

Third, the capital assets ratio will generally provide information about how much of the company's assets are generated by issuing equity shares rather than using debt instruments. The lower the yield ratio, the more debt the company uses to generate its assets. On the other hand, this shows how much risk the company may take to avoid liquidation (Hasan et al, 2020).

Fourth, interest income will show interest income on productive assets managed by the bank through riskier activities to increase profitability (Hasan et al, 2020). Meanwhile, Sulistyowati (2015) theoretically explains that high credit growth also increases credit risk, especially the risk of bad credit. Therefore, the growth in interest income generated by banks in line with credit growth cannot offset the increase in risks that banks must bear due to credit growth.

Fifth, the loan loss provision is considered prudent banking. Providing information on future loss loan provisions can reduce pro-cyclicality in providing risky loans (Ashraf, Arshad, and Hu, 2016). This forward-looking view can explicitly anticipate future setbacks in the loan portfolio that appear to increase discipline or curb excessive risk-taking.

Sixth, charter value can show the health of the bank or the bank's profit prospects in the future. Study Fitri (2014) found that banks will be very careful about taking risky actions because the bank's charter value is higher. This means that charter value falls when banks are involved in high-risk projects, especially when the economy is sluggish and stagnant. At that time, growth opportunities for banks were larger, so banks would take advantage of many investment opportunities to increase charter value.

Seventh, non-interest income Kohler (2015) shows that increasing noninterest income in retail firms reduces risk, while increasing noninterest income in investment firms actually increases risk. On the other hand, referring to research conducted by Meslier, Tacneng, and Tarazi (2014), found that a shift from interest-bearing income activities to non-interest-bearing activities should reduce overall risk and increase bank profits.

Eighth, company age is one of the most important attributes for company efficiency because it explains the company's experience in company operations (Kipesha, 2013). This means that the longer the company's age, the more real the disclosure of risk taking published by the company will be to convince parties outside the company. On the contrary, Coad, Segarra, and Teruel (2013) found evidence that the longer a company has been in existence, the risk taking decreases, which is reflected in its performance

which worsens as the age of the company increases. This causality can be explained by the company's lack of ability to convert growth in its operational activities which are already in a top position compared to new companies.

H₃: There is an influence on total assets, return on equity, capital assets ratio, interest income, loan loss provisions, charter value, non-interest income, and maturity towards risk taking

METHOD, DATA, AND ANALYSIS

The sampling method in this research is to use secondary data in the form of panel data consisting of time series and cross section data. This research uses company data objects in the banking sector listed on the IDX for the 2015-2022 period. Next, a purposive sampling technique was used to obtain samples using several criteria: 1) non-sharia general banking companies listed on the 2015-2022 BEI and having complete financial reports; 2) financial reporting period December 31; and 3) Not being acquired or merged in the research period. Thus, the final sample data was obtained for 304 samples consisting of 38 companies and 8 observation periods, namely 2015-2022.

The variables and measurements used in this research to determine the influence of the independent variables and control variables on the dependent variable, each measurement is as follows:

Table 1. Variable Identification and Measurement

Type	Variable	Symbol	Definition of Operational Variables	Source
Dependent Variable	Bank Risk	RET	$= \sigma(\text{Daily Return})$	Hasan et al. (2020)
		σROA	$= \sigma\left(\frac{\text{Net Income}}{\text{Total Asset}}\right)$	Hasan et al. (2020)
		1/Z	$= \frac{1}{(\text{ROA} + \text{CAR})/\sigma\text{ROA}}$	Hasan et al. (2020)
Independent Variable	Comparability of Financial Reports	FSC	$= \frac{\text{Net Income} - \text{Cash Flow from Operational}}{\text{Total Asset}}$	Francis, Pinnuck, and Watanabe (2014)
	Total Asset	SIZE	$= \ln(\text{Total Asset})$	Hasan et al. (2020)
	Return on Equity	ROE		
	Capital Assets Ratio	CAR	$= \frac{\text{Equity}}{\text{Total Asset}}$	Hasan et al. (2020)
Control Variables	Interest Income	INT_INC	$= \% \text{Growth of Interest Income}$	Hasan et al. (2020)
	Loan Loss Provisions	LLP	$= \ln(\text{Loan Loas Provisions})$	Hasan et al. (2020)
	Charters Value	CHARTER	$= \frac{\text{Market Value of Equity} + \text{Total Debt}}{\text{Total Asset}}$	Hasan et al. (2020)
	Non-Interest Income	NON_INTINC	$= \% \text{Growth of Non - Interest Income}$	Hasan et al. (2020)
	Maturity	AGE	$= \text{Bank Age}$	Hasan et al. (2020)

The first hypothesis testing procedure is carried out as follows: (1) finding the value of each company from each formula, and (2) calculating comparability by finding the absolute difference for each pair of companies. This study focuses on earnings comparability, not earnings management. Comparability is not reflected in the discretionary events (abnormal events) used in management survey results. Two companies with the same event cannot always be compared (Butar, 2017). In addition, discretionary accruals estimated using different model variations can have negative (decreasing profits) or positive (profits increasing) values, so that they subtract from each other or the differences obtained become unclear and even obscure the meaning of comparability. Therefore, the proxy used to measure comparability is absolute difference.

The same method applies to the second hypothesis. However, in the second hypothesis, first compare large and small books based on book classification in accordance with Otoritas Jasa Keuangan Regulation (POJK) Number 6/POJK.03/2016 concerning Business Activities and Office Networks Based on Bank Core Capital. This regulation contains the rule that book one (Q1) is a bank with core capital < 1 trillion, book two (Q2) 1 trillion - 5 trillion, book three (Q3) 5 trillion - 30 trillion, and book four (Q4) with capital that is managed (core) amounting to 30 trillion. Based on these groups, small companies are banks that are classified as Q1 and Q2, while the rest are classified as large. This separation resulted in 20 banks being large-scale banks, and the remaining 18 companies being small sector banks. The interactions that occur will be tested in a separate testing scheme for each bank, namely large banks and small banks. This is done to see each interaction that occurs from each group or company scale at risk. Then, the control variable will also look for the absolute difference between the companies being compared. This is done to reduce the possibility of errors in variables with the aim of minimizing other influences from outside besides the independent variable.

Panel Data Stationarity Test

Initially, this research will test the stationarity of panel data. Fulfill stationarity assumptions to ensure that variances do not occur too far. In addition, it is used to condition individual-specific impacts and heterogeneity between groups. When conditions require that N/T approaches zero and both N (cross section data) and T (time series data) go to infinity. This heterogeneity is such as individual-specific effects and different serial correlation patterns of residuals. If in testing the data is not stationary at order zero [I(0)], then it is necessary to test the stationarity of the data at the following stage, namely first difference and second difference.

$$Y_{it} = \rho_i Y_{it-1} + X_{it} \delta_i + \epsilon_{it} \dots \dots \dots (1)$$

Y_{it} as a pooled variable, while the oxygen variable is represented by X_{it} in modeling, including individual fixed effects or trends, ρ_i is the autoregressive coefficient, and errors ϵ_{it} assumed to be mutually exclusive idiosyncratic disturbances. The stationary test results in this research are as follows:

Panel Data Regression Test

In the panel data regression test, it is necessary to test the model specifications to find out which model will be used. According to Winarno (2015) the model used in this research’s panel data regression is shown as follows:

$$RET_{it} = \beta_0 + \beta_1 FSC_{it} + \beta_2 SIZE_{it} + \beta_3 ROE_{it} + \beta_4 CAR_{it} + \beta_5 INT_INC_{it} + \beta_6 LLP_{it} + \beta_7 CHARTER_{it} + \beta_8 NON_INT_INC_{it} + \beta_9 AGE_{it} + e_{it} \dots \dots \dots (2)$$

$$\sigma ROA_{it} = \beta_0 + \beta_1 FSC_{it} + \beta_2 SIZE_{it} + \beta_3 ROE_{it} + \beta_4 CAR_{it} + \beta_5 INT_INC_{it} + \beta_6 LLP_{it} + \beta_7 CHARTER_{it} + \beta_8 NON_INT_INC_{it} + \beta_9 AGE_{it} + e_{it} \dots \dots \dots (3)$$

$$1/Z_{it} = \beta_0 + \beta_1 FSC_{it} + \beta_2 SIZE_{it} + \beta_3 ROE_{it} + \beta_4 CAR_{it} + \beta_5 INT_INC_{it} + \beta_6 LLP_{it} + \beta_7 CHARTER_{it} + \beta_8 NON_INT_INC_{it} + \beta_9 AGE_{it} + e_{it} \dots \dots \dots (4)$$

Information:

- RET_{it} = Return on bank shares i year t
- σROA_{it} = Standard deviation of return on bank assets i year t
- 1/Z_{it} = Reverse sizez-scorebank i year t
- FSC_{it} = Comparability of bank i year t financial statements
- SIZE_{it} = Total assets of bank i year t
- ROE_{it} = Return on bank equity i year t
- CAR_{it} = Bank capital asset ratio i year t
- INT_INC_{it} = Percentage growth in bank interest income i year t
- LLP_{it} = Allowance for losses on bank receivables i year t
- CHARTER_{it} = Bank charter value i year t
- NON_INT_INC_{it} = Percentage growth in bank non-interest income i year t
- AGE_{it} = Bank age i year t
- e_{it} = Error term bank i year t

This research analysis technique uses panel data estimation. The panel data regression method consists of three methods, namely Pooled OLS (Ordinary Least Square)/ CEM (Common Effect Model), FEM (Fixed Effect Model), and REM (Random Effect Model). From these three approaches, we will choose which approach is most suitable. Selecting the panel data regression model carried out two tests, namely the Chow test, Hausman test and Breusch and Pagan Lagrangian tests. The Chow test is used to choose between the Pooled OLS (Ordinary Leaset Square) model and the FEM (Fixed Effect Model). The Hausman test is used to choose between the FEM (Fixed Effect Model) or REM (Random Effect Model) models. Finally, the Breusch and Pagan Lagrangian test was used to choose between Pooled OLS and REM models.

In general, this research does not use classical assumption tests. According to Basuki and Prawoto (2016), using panel data has several advantages and disadvantages, including: (1) combining time series data and cross section data, panel data provides more useful and varied data, with low collinearity between variables, high degrees of freedom, and large and more efficient; (2) analyze section data for different time periods so that panel data is suitable for studying data dynamics. This type of data provides information about how an individual’s condition at one point in time compares to other data; (3) panel data can detect and quantify effects that cannot be observed with pure time series or pure cross-sectional data; (4) Because panel data has a large number of observation units, the bias produced by individual aggregation can be reduced; and (5) Panel data can be adjusted for individual levels of non-uniformity that are not observed but can influence modeling results. This cannot be done by time series no cross section alone, which could cause the results obtained through these two studies to be biased. Due to these advantages, the implication of this research is that there is no need to test classical assumptions in the panel data model (combination) time series and cross section (Basuki and Prawoto, 2016).

RESULTS AND DISCUSSION

This research uses panel data, namely 38 banks registered on the IDX for the 2015-2022 period. Descriptive statistical analysis aims to determine the mean, maximum, minimum and standard deviation values of the variables used in this research.

Table 2 Descriptive Statistics

Variable	N	Mean	Min.	Max.	Std. Dev
RET	304	8251.462	0.000000	83511.27	12338.77
σ ROA	304	5715476.6	0.120000	3347602	4365746
Z	304	3244447.0	0.500000	1.800128	2478456
FSC	304	1340.283	1000,000	1416,000	177.9342
SIZE	304	1234.029	1020,000	1213,000	139.9259
ROE	304	0.135956	0.000000	1.240000	0.124989
CAR	304	0.062452	0.000000	0.320000	0.033658
INTINC	304	0.234824	0.000000	4.550000	0.730731
LLP	304	1571,770	1001,000	1812,000	199.9796
CHARTER	304	0.149640	0.000000	6,596000	0.334527
NONINTINC	304	0.829149	0.000000	22.87000	2.033235
AGE	304	21.45856	1,000000	108,0000	24.74664

Source: Eviews 9 panel data regression output, 2023

Overall, there is considerable cross-sectional variation in the comparability of the financial statements of the sample banks. The average values of RET, ROA and Z respectively are 8251.462, 5715476.6, and 3244447.0 which means that the average risk taking of the sample companies is equal to these values, with a standard deviation are 12338.77, 4365746, 2478456, indicating high cross-sectional variation in the level of bank risk. Next, size is 1234,029 and ROE is 0.135956 with growth opportunity reflected by growth in net interest revenue (INTINC) is 0.234824 and charter value (CHARTER) is 0.149640. Moreover, the mean age (AGE) of banks is 21.45856 years with income from non-interest (NONINTINC) is 0.829149 with risk loan loss provision (LLP) is 1571,770.

Panel Data Stationarity Test

This research must first meet the requirements of passing the stationary test or have stationary data. The results of data processing for this stationary test that all variables in hypothesis 1 and 2 are accepted at class level (I(0)) accepting the null hypothesis, which is shown by the probability value of the Hadri test whose value is below the real level ($\alpha = 5\%$) which respectively each is 0.0000 which means there is no unit root. Therefore, all stationary variables or data do not show too large a variance and are close to the average value, so further testing can be carried out.

Panel Data Analysis

Before carrying out a panel data regression test, the model suitability test is first carried out to obtain the best model. Hypothesis 1 shown the best model for RET is the Fixed Effect Model while ROA and Z are the Random Effect Model. Then, model testing for hypothesis 2 for large-scale banking shows different results. The best model for RET is the Fixed Effect Model while ROA and Z are the Random Effect Model. While the results of model testing for hypothesis 2 with interactions in small-scale banking show the same results. The best model for RET, ROA, and Z is the Fixed Effect Model.

Hypothesis testing uses the results of selected model analysis by comparing the probability level and significance level ($\alpha=0.05$). Therefore, the following explains the influence of each independent variable on the dependent variable.

Table 3. Regression t Test Results

Research Model/ Variables	Results								
	Coefficient			Probability			Conclusion		
	H _{1,3}	H _{2,3} (Large Bank)	H _{2,3} (Small Bank)	H _{1,3}	H _{2,3} (Large Bank)	H _{2,3} (Small Bank)	H _{1,3}	H _{2,3} (Large Bank)	H _{2,3} (Small Bank)
RET									
Constant	-246.1273	-505.0326	-86.82238	-	-	-	-	-	-
FSC	15.77155	-9.188615	-8.297608	0.0000	0.0993	0.1201	Significant Positive	Not significant	Not significant
SIZE	-4.041168	18.57065	-2.411519	0.2990	0.0812	0.0065	Not significant	Not significant	Significant Negative
ROE	-10.98713	62.48576	16.62772	0.0032	0.0775	0.3483	Significant Negative	Not significant	Not significant
CAR	762.5439	128.7505	398.8281	0.3670	0.0476	0.2426	Not significant	Significant Positive	Not significant
INTINC	138.9464	33.95526	203.8345	0.1002	0.3075	0.6345	Not significant	Not significant	Not significant
LLP	7.443193	17.97612	16.71153	0.0127	0.0719	0.0029	Significant Positive	Not significant	Significant Positive
CHARTER	-10.12134	46.20634	11.52346	0.0822	0.1522	0.2407	Not significant	Not significant	Not significant
NONINTINC	23.23892	2.131430	27.33891	0.6530	0.0000	0.0000	Not significant	Significant Positive	Not significant
AGE	-0.778191	0.695116	-0.591733	0.0000	0.0003	0.0558	Significant Negative	Significant Positive	Not significant
oROA									
Constant	-2658.175	-8321.255	-0.662378	-	-	-	-	-	-
FSC	127.3764	245.650459	0.024859	0.0001	0.4913	0.0093	Significant Positive	Not significant	Significant Positive
SIZE	37.82290	90.462804	0.022515	0.3634	0.7528	0.0517	Not significant	Not significant	Not significant
ROE	-178.9804	581.663660	0.187164	0.4039	0.6989	0.0000	Not significant	Not significant	Significant Positive
CAR	-397.7121	9106.078	-0.213099	0.4853	0.1512	0.0905	Not significant	Not significant	Not significant
INTINC	48.42011	145.273027	-0.035229	0.4712	0.1539	0.1093	Not significant	Not significant	Not significant
LLP	44.30668	-27.237779	0.004497	0.0004	0.5102	0.6538	Significant Positive	Not significant	Not significant
CHARTER	50.00464	237.160771	0.006862	0.4308	0.3763	0.6961	Not significant	Not significant	Not significant
NONINTINC	-9.097613	76.776628	-0.004484	0.4546	0.0967	0.2285	Not significant	Not significant	Not significant
AGE	-6.035091	-14.532363	0.001073	0.3084	0.5270	0.0525	Not significant	Not significant	Not significant
Z									
Constant	-14753.48	-33946.34	-10.15317	-	-	-	-	-	-
FSC	706.8231	1051.242	0.232062	0.0001	0.3054	0.2575	Significant Positive	Not significant	Not significant
SIZE	209.9573	800.0416	0.454180	0.3633	0.2542	0.0675	Not significant	Not significant	Not significant
ROE	-979.0003	1941,632	0.585453	0.4108	0.5287	0.0000	Not significant	Not significant	Significant Positive
CAR	-2203.633	-642.0152	8.048825	0.4861	0.9464	0.0029	Not significant	Not significant	Significant Positive
INTINC	268.3115	260.2148	0.445414	0.4719	0.7789	0.3454	Not significant	Not significant	Not significant
LLP	245.9931	217.8222	0.052942	0.0014	0.6985	0.8057	Significant Positive	Not significant	Not significant

The Effect of Financial Statement Comparability on Risk in the Indonesian Banking Sector

Mejyerd Rombbunga, Adler Haymans Manurung, Roy Sembel

Research Model/ Variables	Results								
	Coefficient			Probability			Conclusion		
	H _{1,3}	H _{2,3} (Large Bank)	H _{2,3} (Small Bank)	H _{1,3}	H _{2,3} (Large Bank)	H _{2,3} (Small Bank)	H _{1,3}	H _{2,3} (Large Bank)	H _{2,3} (Small Bank)
CHARTER	277.3578	173.4646	0.340833	0.4312	0.9508	0.3661	Not significant	Not significant	Not significant
NONINTINC	-50.46589	662.4176	0.251457	0.4549	0.3681	0.8066	Not significant	Not significant	Not significant
AGE	-33.50820	-137.5380	-0.002807	0.0711	0.6019	0.8131	Not significant	Not significant	Not significant

Source: Eviews 9 processing results, 2023

Hypothesis 1 and 3

The test results show significant and positive results between financial report comparability and risk. The respective correlations of RET, oROA and Z are 0.0000, 0.0001, and 0.0001. This correlation coefficient indicates that banks with more comparable financial statements are correlated with more risk. The results of this study are not in line with Hasan et al. (2020) who found that comparability of financial reports can reduce risk. The differences in the results of this research indicate that the comparability of increasingly comparable financial reports in the banking industry in Indonesia can be encouraged management to engage more actively in risk. Sun and Liu (2014) said that managerial discretion and opportunistic behavior in the banking sector encourage managers to take more risks by looking at management performance through comparable financial report information. Apart from that, the problem of moral hazard also arises through the pressure of information asymmetry, because such situations provide incentives for bank managers to engage in risky activities, such as aggressive lending practices, investment in proven and less tested technological fields, even in a number of business development activities other (Saunders and Song, 2018). Thus, comparable financial report information will function as a tool for higher risks in the context of business development.

In addition, some control variables provide some different results in various models. First, total assets have no effect on risk. In line with Azhari, Rahayu, and Zahroh (2016) who found that there was no effect of total assets on risk as measured by share prices. This research reveals that total asset turnover is the ability of all assets to create sales. In fact, in this research it was found that asset ownership was not all used to increase profits, but was used to pay debts. This means that the assets owned are not fully utilized for risk in order to increase profits.

Second, in the RET model, return on equity has a negative effect on risk. The results of this research show that the higher the ROE, the lower the company's risk. If the company has obtained a high ROE, the company will feel that the ROE is sufficient, thus reducing its risk (Rahmadewi and Abundanti, 2018). Meanwhile, in the oROA and Z models, ROE has no effect on risk. This research is in line with Tumonggor et al. (2017) who found that ROE had no effect on stock returns. This indicates that the company cannot guarantee its equity with a level of risk to increase its profits through stock returns.

Third, the capital assets ratio was found to have no effect on risk. This means that if the CAR increases, the capital used by the company will also increase, where the additional capital may not have an impact on a significant increase in sales so that profitability will not increase (Xue, Yin and Zhang, 2013).

Fourth, interest income also shows that it has no influence on risk. As income is obtained from the difference between loan interest and interest expense (cost of funds), the acquisition of interest income in a certain period is considered unable to have a significant influence on banking risk actions. In Line with

Monica (2016) who found that investors are usually interested in investing their shares in a bank as long as the bank makes a profit without considering the value of interest income alone, but rather other factors that can also generate profits (Vilia and Colline, 2021). This indicates that with existing interest income, banks do not need to take high risk actions to attract investors.

Fifth, loan loss provisions have a significant and positive effect on risk. This means that the higher the bank's receivable reserves, the higher the risk level. This is because in the current year the company feels the need to increase revenue in order to cover losses from provisions for receivables made in its books (Gaol, 2015). Thus, the higher the uncollectible receivables that arise during the company's operating period, the higher the risk.

Sixth, charter value was found to have no effect on risk. This is because it is possible that companies in Indonesia do not consider charter value as an important factor to pay attention to (Budiasih, Jesslyn, and Dwirandra, 2016). The information contained in the charter value is something that is expected to be realized in the future and is not certain. The amount of the charter value can change depending on the performance of the company itself. Therefore, it is difficult to ensure whether the charter value will be considered by the bank when making a decision, especially regarding corporate risk.

Seventh, non-interest income has no effect on risk. The results of this study show that banks with higher levels of non-interest income also have higher levels of income at the capital level to compensate for that risk and therefore concerns about capitalization in the form of bank income outside of intermediation activities do not appear to increase risk in the banking sector. This result was also found by Sembiring (2021), said that this situation was caused by banking companies holding high amounts of cash to increase market confidence in the company's future prospects related to its main operating activities.

Eighth, the research results show that bank age has a negative effect on risk. These results show that the longer the company's age, the less risk it has. This finding is in line with Coad, Segarra, and Teruel (2013) found evidence that company performance worsens as company age increases. Older companies have lower growth rates and profitability, and also appear less able to convert employment growth into growth in sales, profits and productivity. Some of the things that cause decreased risk are organizational rigidity, older companies are less efficient compared to their industry peers, which is reflected in lower margins, higher costs, slower growth, older assets, and reduced research and development and investment activities (Nurwati, Achsani, Hafidhuddin, and Nuryartono, 2014). Meanwhile, in the σ ROA and Z models, age has no effect on risk. This could be because company age is not the only determinant of risk. There are various factors that could determine a company's willingness to move forward, such as through new innovations (Rahman and Sunarti, 2017).

Testing hypothesis 1 shows that the comparability of financial reports on risk is more visible in the RET model compared to the σ ROA and Z models. These results indicate that in the RET model which uses daily stock return measurements, the risk results will be more tangible. In general, daily stock returns will provide information about the company's economic and accounting events that are more relevant because they reflect direct daily information about the company's activities or achievements compared to two other measurements that are more annual in nature (Lestari et al, 2016).

Hypothesis 2 and 3

The research results show there is no risk for large-scale bank interactions. This result is supported by Simanjuntak and Wibowo (2019) which says that large-scale banking in terms of profitability is relatively safe and under control. Therefore, large banks operate more prudently because they have a

larger market share with relatively stronger customer loyalty so they do not require risks that are beyond reasonable limits. Apart from that, the phenomenon of implementing the precautionary principle is also an activity that continues to be improved by banks on a large scale. The principle in question is an affirmation that in carrying out its business activities, a bank must be very careful about the actions or steps it will take so that nothing detrimental happens to either its customers or the bank itself.

various results were obtained. The research results show that in measuring *o*ROA, there is a risk in small-scale banks with a probability value of 0.0093 and the rest has no effect. This indicates that, in Indonesia, small banks are more exposed to risk than large banks. The reason is that small banks receive less regulatory supervision and are less followed by analysts and investors in general, so small banks tend to have a more pronounced effect on risk. Apart from that, in the midst of the Covid-19 pandemic, there is a phenomenon of small banks which has led to the expansion of small banks towards digital banks. Looking at the current phenomenon, many small banks are currently transforming into digital-based banks so they can compete in the industry. The emergence of this effort is a more obvious manifestation of risk by small banks in Indonesia. This means that small-scale banks that are trying to maintain profitability will be encouraged to be more willing to take risks in all their business activities, such as expanding new products or new branches in order to reach new customer segments that are relatively unknown in the bank's understanding of the behavior of these customer segments and the risk profile of these potential customers. This is the risk that small banks are currently taking by seizing the millennial generation which is seen as a demographic bonus which at its peak will provide great potential in business progress to reach new customers by 2030 in order to compete with larger banks. In contrast, in this study the risk of large banks is not visible. This is in line with the logic developed by Bhagat et al. (2015) that risks tend to be carried out by small banks which are experiencing difficulties in maintaining their level of profitability and the market share they control, while large scale banks can operate more prudently because they have a larger market share with relatively stronger customer loyalty, thereby reducing risk (Simanjuntak and Wibowo, 2019).

The two test results above for large and small scale banks are compared with research conducted by Hasan et al, (2020) gives the same interpretation that small banks outperform larger banks in risk. These results show that the risk level of small banks is more prominent than larger ones. Then, the differences that arise regarding the direction of the relationship indicate that in Indonesia small banks tend to increase risk. This activity is undertaken by small banks in order to maintain their profitability (Bhagat et al, 2015). Meanwhile, research conducted by Hasan et al. (2020) provides information that small banks tend to reduce their risk. These results illustrate that comparable financial reports make it possible to limit bank management's ability to engage in risky activities.

In addition, several control variables provide different results in various models for both large-scale and small-scale bank tests. First, total assets have no effect on risk. In line with Azhari, Rahayu, and Zahroh (2016) who found that there was no effect of total assets on risk as measured by share prices. This research reveals that total asset turnover is the ability of all assets to create sales. In fact, in this research it was found that asset ownership was not all used to increase profits, but was used to pay debts. This means that the assets owned are not fully utilized for risk in order to increase profits. Then, in the RET model for small scale banks, it was found that size had a negative effect on risk. If the company's policy of increasing its capacity through investment in fixed assets is not balanced with the company's high aggressiveness in using its assets to increase its income scale, it will have an impact on decreasing profitability.

Second, in small-scale banking, for the σ ROA and Z models, it was found that return on equity has a positive effect on risk. Increase in return on equity is usually followed by an increase in the share price of the company concerned. The higher the return on equity means the more efficient the company management uses its own capital to generate profits for shareholders. Return on equity measures a company's risk ability to generate income based on certain capital. An increase in return on equity indicates increased management performance in managing existing funding sources to generate profits. With an increase in the value of return on equity, investors will be increasingly interested in buying these shares, so that the company's share price will increase. Meanwhile, the rest found that ROE had no effect on risk. This research is in line with Tumonggor et al. (2017) who found that ROE had no effect on stock returns. This indicates that the company cannot guarantee its equity with a level of risk to increase its profits through stock returns.

Third, the capital assets ratio was found to have no effect on risk. This means that if the CAR increases, the capital used by the company will also increase, where the additional capital may not have an impact on a significant increase in sales so that profitability will not increase. Then, in large-scale banks using the RET model and small-scale banks using the Z model, it was found that there was a positive influence on risk. Study Nguyen, Nguyen, and Nguyen, (2019) results that a larger capital ratio can encourage banks to increase risk. The capital asset ratio is a calculation that shows the extent to which all bank assets that contain risk (credit, investments, securities, claims on other banks) are financed from its own capital funds in addition to obtaining funds from sources outside the bank, such as debt, the public, etc. -other. Current asset ratio is an indicator of a bank's ability to cover the decline in its assets as a result of bank losses caused by risky assets. The greater the value of the current asset ratio, it indicates that the bank is increasingly able to face risks on assets that contain risk. Thus, the higher the CAR the company has, the higher the risk level.

Fourth, interest income also shows that it has no influence on risk. As income is obtained from the difference between loan interest and interest expense (cost of funds), the acquisition of interest income in a certain period is considered unable to have a significant influence on banking risk actions. In Line with Monica (2016) who found that investors are usually interested in investing their shares in a bank as long as the bank makes a profit without considering the value of interest income alone, but rather other factors that can also generate profits (Vilia and Colline, 2021). This indicates that with existing interest income, banks do not need to take high risk actions to attract investors.

Fifth, loan loss provisions are dominated by insignificant results. This research provides evidence that receivable loss reserves have an insignificant effect on bank risk. These results show that risk in the sector is not influenced by the existence of reserves for impairment losses (Pelealu and Worang, 2018). The level of banking risk during the research period was not influenced by the size of the loan loss provision alone, but was more influenced by other factors. In other words, an increase or decrease in the loan loss provision will not significantly affect the value of profits received by the bank. In this research, the loan loss provision is part of non-performing loans, so because the amount of the loan loss provision is too small compared to the interest income received, it is greater so that it can cover the costs arising from bad credit. Then, loan loss provisions have a significant and positive effect on risk in the interaction of small-scale banks with the RET model. This means that the higher the bank's receivable reserves, the higher the risk level. This is because in the current year the company feels the need to increase revenue in order to cover losses from provisions for receivables (Gaol, 2015). Thus, the higher the uncollectible receivables that arise during the company's operating period, the higher the risk.

Sixth, charter value was found to have no effect on risk. This is because it is possible that companies in Indonesia do not consider charter value as an important factor to pay attention to (Budiasih, Jesslyn, and Dwirandra, 2016). The information contained in the charter value is something that is expected to be realized in the future and is not certain. The amount of the charter value can change depending on the performance of the company itself. Therefore, it is difficult to ensure whether the charter value will be considered by the bank when making a decision, especially regarding corporate risk.

Seventh, non-interest income has no effect on risk. The results of this study show that banks with higher levels of non-interest income also have higher levels of income at the capital level to compensate for that risk and therefore concerns about capitalization in the form of bank income outside of intermediation activities do not appear to increase risk in the banking sector. This result was also found by Sembiring (2021), said that this situation was caused by banking companies holding high amounts of cash to increase market confidence in the company's future prospects related to its main operating activities. Apart from that, in the RET model for large-scale banks, it was found that non-interest income had a positive effect on risk. De Jonghe, Diepstraten, and Schepens (2015) found that banks that have high non-interest income in their income composition show high systematic risk as well. Banking that concentrates noninterest income allows banks to charge higher interest rates on loans, which can encourage borrowers to assume greater risk. As a result, risks related to lending volume can increase, and can increase the opportunity for bad credit to occur, resulting in high bank profitability.

Eighth, the results of research on bank age have no effect on risk. This could be because company age is not the only determinant of risk. There are various factors that could determine a company's willingness to move forward, such as through fresh innovation (Rahman and Sunarti, 2017). However, in large-scale banks with the RET model, it was found that company age had a positive effect on risk. The longer a company has been around, the more visible the company's existence becomes. The longer the age of the company, the more real the risks the company publishes to convince parties outside the company. Companies that have a long life usually take high risks to become large companies.

CONCLUSION AND SUGGESTIONS

This study examines the relationship between financial statement comparability and risk-taking of publicly listed Indonesia banks over the 2015-2022 period. Based on the results of the findings and analysis carried out, several conclusions can be drawn. First, comparability of financial reports has a positive effect on risk. This means that presenting financial reports with greater comparability encourages management to be more opportunistic in risky activities or actions by banks. Then, if differentiated according to bank size, find that the positive relationship between financial statement comparability and risk-taking is more pronounced for small banks compared to large-scale banks. This research found that in Indonesia, small banks tend to be aggressive in risky activities.

The provision of comparable information by banks can stimulate higher risks. This information is considered relevant and can be accounted for in creating expansion directions. In this unstable condition, it is best to take risks by considering several aspects such as bad credit, market risk and liquidity risk which can initially be an opportunity for profit but if managed carelessly can result in significant losses for the company. Investors (shareholders) should be able to control the source of funds, distribution of funds, total liabilities and capital commitments. Investors need to pay attention to this regarding the high level of risk taken by banks to expand. This means that regular supervision can be carried out by utilizing information available in banking financial reports related to the key items above to ensure a

healthy and transparent level of banking expansion. These findings are also relevant for regulators and shareholders because they show that providing comparable information is highly relevant for increasing transparency and reducing bank risk activities. This is very important considering the ongoing banking scandal regarding transparency issues which sometimes involve manipulation of information.

This study is subject to potential limitations arising from endogeneity concerns. This research focuses on the relationship between financial report comparability and bank risk. Causal relationships between variables can strengthen the conclusions of the research. Despite the use of independent and control variables in this study, analysis of changes over the study period remains difficult to draw causal conclusions. Therefore, the findings of this study should be interpreted with caution according to the period in which the study was conducted. Apart from that, this research also did not observe the period before and after the crisis (Hasan et al, 2020). Due to these limitations, it is hoped that future researchers can include this observation period.

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