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Disclosure of COSO Framework, Firm Size, Institutional Ownership, Profitability, and Leverage in Property Companies on JII70

Zuraidah[1], Eranikan Rahma Puwandani[2], Nerisha Putri Ramadhany[3], Nawirah[4]
[1,2,3,4] Faculty of Economics, State Islamic University of Maulana Malik Ibrahim Malang, Indonesia

🖂 Corresponding Author:
Author Name's: Zuraidah
E-mail: zuraidah@akuntansi.uin-malang.ac.id

Abstract: This research aims to examine the disclosure of the COSO ERM-Framework in Property Sector Companies listed on the Jakarta Islamic Index 70 (JII70) and empirically demonstrate the influence of firm size, institutional ownership, profitability, and leverage on ERM data of Property Sector Companies listed on the Jakarta Islamic Index 70. The study adopts a quantitative method, utilizing secondary data obtained from the Jakarta Islamic Index 70 website. The sample consists of 9 property sector companies. Data collection is conducted through time series data from 2018 to 2022, while data analysis employs linear regression. This research can serve as a reference for each company to be more cautious in implementing policies, and it is expected that management will intensify and implement ERM in their respective businesses to facilitate better risk management for property sector companies in JII70. The difference between this research and previous studies lies in the variables and companies under examination. Previous research tends to focus on manufacturing or non-financial companies as subjects, whereas this study selects Property Sector Companies listed on JII70 as its subject. Because the property sector company is a business sector that dominates the sub-sectors in JII70. The findings of this research indicate that, partially, firm size, institutional ownership, profitability, and leverage do not have a significant effect on the COSO ERM-Framework. However, based on the research results, it is evident that firm size, institutional ownership, profitability, and leverage collectively have an impact on the COSO ERM-Framework.

Keywords: Firm Size; Institutional Ownership; Profitability; Leverage; COSO ERM-Framework

Abstrak: *Penelitian ini bertujuan untuk menguji keterbukaan COSO ERM-Framework pada Perusahaan Sektor Properti yang terdaftar pada Jakarta Islamic Index 70 (JII70) dan secara empiris menunjukkan pengaruh firm size, kepemilikan institusional, profitabilitas, dan leverage terhadap data ERM Perusahaan Sektor Properti yang terdaftar di Jakarta Islamic Index 70. Penelitian ini menggunakan metode kuantitatif, memanfaatkan data sekunder yang diperoleh dari situs Jakarta Islamic Index 70. Sampel terdiri dari 9 perusahaan sektor properti. Pengumpulan data dilakukan melalui data time series dari tahun 2018 hingga 2022, sedangkan analisis data menggunakan* *regresi linier. Penelitian ini dapat menjadi acuan bagi setiap perusahaan untuk lebih berhati-hati dalam menerapkan kebijakan, dan diharapkan manajemen akan mengintensifkan dan menerapkan ERM di bisnis masing-masing untuk memfasilitasi manajemen risiko yang lebih baik bagi perusahaan sektor properti di JII70. Perbedaan antara penelitian ini dengan penelitian sebelumnya terletak pada variabel dan perusahaan yang diteliti. Penelitian sebelumnya cenderung berfokus pada perusahaan manufaktur atau non-keuangan sebagai subjek, sedangkan penelitian ini memilih Perusahaan Sektor Properti yang terdaftar di JII70 sebagai subjeknya. Karena perusahaan sektor properti merupakan sektor usaha yang mendominasi subsektor yang ada di JII70. Temuan penelitian ini menunjukkan bahwa, sebagian, ukuran perusahaan, kepemilikan institusional, profitabilitas, dan leverage tidak memiliki pengaruh signifikan terhadap COSO ERM-Framework. Namun, berdasarkan hasil penelitian, terbukti bahwa ukuran perusahaan, kepemilikan institusional, profitabilitas, dan leverage secara kolektif berdampak pada COSO ERM-Framework*

Kata Kunci: *Ukuran Perusahaan; Kepemilikan Institusional; Profitabilitas; Leverage; COSO ERM-Kerangka Kerja*

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INTRODUCTION

In a global context, ERM guidelines have evolved rapidly to reflect the need for risk integration with strategy and decision-making, as reflected in modern standards. Frameworks such as COSO Enterprise Risk Management Integrating with Strategy and Performance (2017), for example, explicitly emphasize the importance of integrating risk management with strategy setting and performance measurement processes, making it an integral part of decision-making to achieve strategic objectives. In line with ISO 31000:2018 Risk Management Guidelines, it provides principle-based and universal guidelines, emphasizing that risk management must be dynamic, structured, and tailored to the context of the organization. This international standard also highlights the central role of leadership and organizational culture in the successful implementation of ERM. Therefore, the application of this global framework ensures that modern ERM not only aims to avoid losses, but also proactively identifies and utilizes risks as opportunities to drive innovation, improve performance, and maintain global trust through integrated transparency and accountability.

Previous research on Enterprise Risk Management disclosure in financial sector companies listed on the Indonesia Stock Exchange. Fayola & Nurbaiti (2020) tested that firm size has a positive effect on Enterprise Risk Management disclosure because large companies have higher transparency requirements. However, these findings are not in line with the results of a study (Rini & Zakiyah, 2020) which concluded that firm size does not affect Enterprise Risk Management disclosure because large companies do not have to be transparent in detail. At the same time, leverage has a positive effect on Enterprise Risk Management disclosure (Oktavia &

Isbanah, 2019; Sarwono et al., 2018) because leverage can increase the need for risk disclosure to reassure creditors. This contradicts the research (Rukmana Sari et al., 2021) which found that leverage has no effect on Enterprise Risk Management disclosure. Oktavia & Isbanah (2019) conducted research on the level of Enterprise Risk Management disclosure and found that the level of institutional ownership has a negative effect on the level of Enterprise Risk Management disclosure. Sarwono et al. (2018) in their research revealed that profitability has no effect on Enterprise Risk Management disclosure.

Based on several studies mentioned above, there appear to be differences in research results between one researcher and another. Some variables that have different results include firm size, profitability, leverage, and institutional ownership. This shows that the determining factors in ERM disclosure have not been fully explained comprehensively. From an agency theory perspective, large companies tend to increase risk disclosure to reduce information asymmetry between management and shareholders (Damayanti & Venusita, 2022). However, signaling theory explains that companies may only disclose risk information if it can improve the company's image in the eyes of investors (Qotimah et al., 2023). Therefore, the contradictions in some of the above research results may be due to differences in theoretical drivers and industry contexts in each study.

The difference in our current study lies in the use of variables and the types of companies studied. The authors aim to partially test the influence of firm size, institutional ownership, profitability, and leverage on ERM data in property sector companies. The property sector was chosen as the subject of this study because property sector companies dominate the subsectors in the JII70. Therefore, it is hoped that this article will be able to describe the disclosure of the COSO ERM Framework in property sector companies listed on the Jakarta Islamic Index 70 (JII70).

LITERATURE REVIEW

Agency Theory

Agency theory was proposed by (Jensen & Meckling, 1976; Rahayu et al., 2022) to explain the relationship between principals (shareholders) and agents (managers). In this relationship, information asymmetry often occurs because managers have more information than owners. This creates potential agency conflicts when managers act in their personal interests rather than in the interests of shareholders (Eisenhardt, 1989; Marpaung, 2019). To reduce these conflicts, companies need to provide oversight mechanisms, one of which is through information transparency in annual reports. In the context of this study, agency theory explains that companies disclose Enterprise Risk Management (ERM) as a form of accountability to shareholders. ERM disclosure is believed to reduce information asymmetry and increase investor confidence that the company is capable of managing risk well. Therefore, this theory is relevant as a basis for explaining the influence of firm size, leverage, institutional ownership, and profitability on the level of ERM disclosure.

Signaling Theory

Signaling theory was introduced by (Mahendra & Daljono, 2023; Spence, 1973) and explains how companies send signals to external parties through published information. This theory emerged due to information asymmetry between management, who knows the internal conditions of the company, and investors, who only rely on information disclosed by the company (Ross, 1977). In the context of this study, Enterprise Risk Management (ERM) disclosure is used as a positive signal that indicates that the company has good risk management and is able to anticipate business uncertainties. Companies that provide broader risk disclosures are considered more transparent and accountable, thereby attracting the trust of investors and creditors. Thus, signaling theory supports the relationship that company characteristic variables such as profitability, leverage, institutional ownership, and firm size can influence the extent of ERM disclosure.

Enterprise Risk Management (ERM)

Enterprise Risk Management (ERM) is a comprehensive approach to managing the risks faced by an organization in an integrated manner, not only to minimize losses but also to support the achievement of the company's strategic objectives. ERM is a top-down strategy, meaning that all decisions are made at the highest level of management and then communicated to the entire team down to the lowest level. Enterprise Risk Management is a process used by organizations to identify, evaluate, manage, and monitor risks that may affect the achievement of their objectives. The main objective of Enterprise Risk Management is to help organizations make better decisions in dealing with risks, so that they can optimize opportunities and reduce the negative impact of risks on their performance and business continuity.

In the context of this study, ERM plays an important role as a governance mechanism that can reduce information asymmetry between management and stakeholders. ERM disclosure is considered a form of corporate accountability in openly communicating business risks, thereby increasing investor confidence and maintaining business continuity. Thus, ERM is not only seen as a reporting obligation, but also as a corporate risk communication strategy in a dynamic market competition.

Coso Enterprise Risk Management Disclosure

Risk management disclosure is important and mandatory for companies in their annual reports. Enterprise Risk Management (ERM) disclosure can be used as a tool to identify, measure, and mitigate risks arising from all activities carried out by the company (Fayola & Nurbaiti, 2020). COSO (Committee of Sponsoring Organizations of the Treadway Commission) is an organization that developed a framework for Enterprise Risk Management known as the "COSO ERM Framework." This framework provides guidelines on how an organization should design, implement, and monitor their ERM system. Disclosure in the context of the COSO ERM Framework is how organizations explain or report how they manage risk in their financial reports or in communications with other stakeholders.

There is also the Decree of the Chairman of Bapepam and LK Number: Kep-431/BL/2012 concerning the Submission of Annual Reports of Issuers or Public Companies, which states that risk management disclosure is part of corporate governance disclosure. The regulation states that the risk management system implemented by a company should cover the following: An overview of the company's risk management system; Types of risks and how they are managed; A review of the effectiveness of the company's risk management system.

Firm Size

Firm size is a scale that can be calculated based on total assets and sales, which can indicate the condition of a company, whereby larger companies will have advantages in terms of the funds obtained for the firm size that can be used to identify the financial characteristics of the company. Firm size is defined as the most basic numerical value, such as the amount of wealth and the total amount of monetary transactions of the company during a transaction period or market capitalization. Firm size is a measure that indicates the size of a company, including total sales, average sales, and total assets. In this study, total assets are used as a measure of firm size, because assets are useful as a company's operational tool that will indicate the company's performance in obtaining profits from its operational activities.

Institutional Ownership

Institutions are entities that have a strong interest in investments, including stock investments. Capital participation by parties that form institutions such as insurance companies, banks, investment companies, mutual funds, securities companies, insurance companies, pension funds, financial institutions, and other institutional owners. Institutional ownership is a tool that can be used to reduce agency conflicts. Institutional ownership is the ownership of shares in a company by institutions that play an important role in monitoring, disciplining, and influencing managers to force management to avoid selfish behavior (Darsani & Sukartha, 2021). Institutional ownership is calculated by dividing the number of shares owned by institutional shareholders by the number of shares outstanding.

Profitability Level

Profitability is a calculation used to determine a company's ability to generate profits in a given period. Profitability level is the ability of a company to generate profits during a certain period. Companies with a good ability to generate profits demonstrate good performance because profitability is often used as a measure to assess company performance. In accounting, this is referred to as the profitability ratio, which measures a company's ability to generate profits.

Agency theory explains that the more profits a company earns, the more detail managers will disclose about how they manage business risks in order to attract investors and gain their trust to invest in the company. (Rujiin & Sukirman, 2020). A company that is aware of its profits indicates that it has good prospects in its business management, thereby enhancing its image in the eyes of investors.

Leverage Ratio

The leverage ratio is a ratio used to measure a company's ability to meet its obligations or repay its debts, both short-term and long-term. In other words, the leverage ratio represents the level of debt a company or business has incurred. The leverage ratio is used to measure the extent to which a company's assets are financed by debt. That is, how much debt burden a company bears compared to its assets. The higher a company's leverage ratio, the greater the level of ERM disclosure, because the higher a company's debt level, the greater the demand for information transparency from creditors (Hasina et al., 2018).

Conceptual Framework

The conceptual framework in this study was developed to describe the relationship between independent variables consisting of firm size, institutional ownership, profitability, and leverage with the dependent variable, namely Enterprise Risk Management (ERM) disclosure. The conceptual framework of this study is formulated as follows:

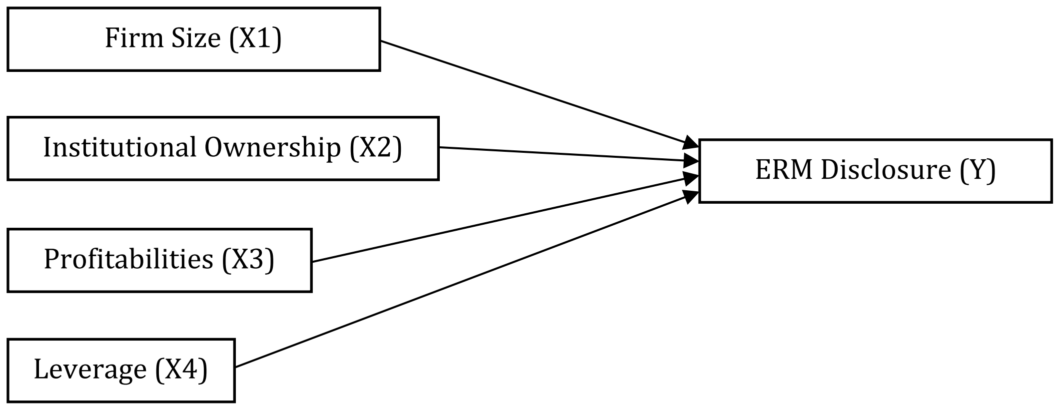

Figure 1. Conceptual Framework
Source: Processed Data, 2024

RESEARCH METHOD

This research was measured using quantitative methods. The research data was secondary data obtained from the Jakarta Islamic Index 70 website. The research population used property sector companies listed on the Jakarta Islamic Index 70 (JII70). The sample used consisted of 9 property sector companies. The data collection technique involved collecting time series data from 2018 to 2022. Meanwhile, linear regression was used for data analysis.

This study was conducted to analyze each object, namely Enterprise Risk Management (ERM), Firm Size, Profitability, Institutional Ownership, and Leverage, which had been collected without making general conclusions or generalizations. Before conducting descriptive statistical analysis, the researcher tabulated the data by collecting secondary data in the form of financial reports and annual reports for the period specified by the author, namely 2018 to 2022. The researcher used linear regression analysis to test the relationship between variables. The testing was conducted using SPSS software with classical assumption tests and hypothesis tests (t-test and F-test).

Table 1. Operational Variables

Variable	Indicator/ Formula	Scale	Source
Firm Size (X1)	Ln (Total Assets)	Ratio	(Abdullah et al., 2023; Daromes et al., 2022; Marliyana et al., 2024; Wafiyudin et al., 2020)
Institutional Ownership (X2)	$\frac{\text{Jumlah Saham Institusional}}{\text{Total Saham Beredar}} x\ 100\%$	Ratio	(Aritopan et al., 2024; Bao Dinh & Tran, 2024; Lariwu et al., 2020; Wafiyudin et al., 2020; Winata et al., 2025)
Profitabilities (X3)	$\frac{\text{Laba Bersih}}{\text{Total Aset}} x\ 100\%$	Ratio	(Ahmed et al., 2023; Aritopan et al., 2024)
Leverage (X4)	$\frac{\text{Total Utang}}{\text{Ekuitas}} x\ 100\%$	Ratio	(Arhinful & Radmehr, 2023; Hermuningsih et al., 2022)
ERM Disclosure (Y)	Scale of 0-1 based on the 8 components of COSO 2017	Ratio	(Hidayah et al., 2025; Khoerunnisa & Jayanih, 2024; Mabrur & Raharja, 2021; Witjaksono & Nurhidayati; Nurhidayati, 2019)

Source: Processed Data, 2024

The main objective of this study is to partially examine the effect of firm size, institutional ownership, profitability, and leverage on COSO ERM-Framework disclosure in property sector companies listed on the Jakarta Islamic Index 70 (JII70).

RESULT AND DISCUSSION

Result

The result show that, partially, the variables of firm size, institutional ownership, profitability, and leverage do not have a significant effect on the disclosure of the COSO ERM-Framework in property sector companies listed on the JII70. These findings indicate that each of these variables is not capable of independently encouraging companies to increase transparency in disclosing COSO ERM-based risk management practices. In other words, the size of the company, the level of institutional ownership, profitability, and leverage are not dominant factors that determine the extent to which companies disclose ERM.

However, the simultaneous test results show that these four variables collectively influence COSO ERM-Framework disclosure. This indicates that company characteristics are more appropriately viewed as a complementary combination in promoting risk management transparency. Large companies may have adequate resources, institutional ownership plays a role in monitoring functions, profitability indicates the ability to generate profits, while leverage is related to the obligation to maintain credibility in the eyes of creditors. Collectively, these factors contribute to the implementation of ERM, although they do not have a significant effect when tested partially.

These findings differ from some previous studies. For example, a study (Fayola & Nurbaiti, 2020) found that firm size had a positive effect on ERM disclosure, while another study (Rini & Zakiyah, 2020) stated the opposite. Differences are also seen in the leverage variable, where several previous studies showed a significant effect, but in this study the results were not proven. This reinforces the research gap that the relationship between variables can differ depending on the industry sector being studied. In the property sector that dominates the JII70, external factors such as regulations, governance, and property market dynamics seem to play a greater role than internal financial variables of the company.

Practically, the results of this study imply that property companies in the JII70 need to look at the application of the COSO ERM-Framework holistically, not only influenced by size, institutional ownership, profitability, or leverage separately. Management is expected to strengthen the synergy between internal factors to improve the quality of risk management disclosure. Thus, corporate transparency can be maintained, and the trust of investors and stakeholders can continue to be enhanced.

Table 2. Analysis of Variance (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	36,354	4	9,089	8,346	,000[b]
	Residual	43,557	40	1,089		
	Total	79,911	44			

a. Dependent Variable: coso_erm
b. Predictors: (Constant), laverage, institutional_ownership, profitabilities, company_size
Source: Processed Data, 2024

Based on the ANOVA test results in Table 2, the Sum of Squares Regression value is 36.354 with degrees of freedom (df) = 4 and Mean Square of 9.089. The calculated F value is 8.346 with a significance level of 0.000, which is less than 0.05. This indicates that the regression model used in this study is simultaneously significant. This means that the variables of firm size, institutional ownership, profitability, and leverage collectively influence the disclosure of the COSO ERM-Framework.

Meanwhile, the Sum of Squares Residual value of 43.557 with df = 40 and Mean Square of 1.089 describes the data variation that cannot be explained by the model or is an error. The Total Sum of Squares of 79.911 with df = 44 shows the total variation in the research data. Thus, it can be concluded that approximately 45.5% of the variation in COSO ERM-Framework disclosure can be explained by the regression model consisting of firm size, institutional ownership, profitability, and leverage, while the rest is explained by other factors outside the research model.

Table 3. Analysis of Variance

Coefficients[a]

Model		t	Sig.
1	(Constant)	,000	19,095
	Firm_size	,144	1,574E-8
	Institutional_ownership	,138	-59,282
	Profitabilities	,526	,014
	Laverage	,002	3,316

a. Dependent Variable: coso_erm

Source: Processed Data, 2024

Based on the partial test results in Table 3, the constant value of 19.095 with a significance of 0.000 (< 0.05) indicates that if all independent variables are zero, the COSO ERM disclosure value is 19.095. This confirms that the model has a significant base value.

Furthermore, the firm size variable has a regression coefficient of 1.574E-8 with a positive direction. This indicates that the larger the firm size, the higher the COSO ERM disclosure. However, the significance value of 0.114 (> 0.05) indicates that the effect of firm size is not partially significant.

The institutional ownership variable shows a regression coefficient of -59.282 with a negative direction. This means that the higher the institutional ownership, the lower the level of COSO ERM disclosure tends to be. However, the significance value of 0.138 (> 0.05) indicates that this effect is also not significant in part.

Meanwhile, the profitability variable has a regression coefficient of 0.014 with a positive direction. This illustrates that the higher the profitability, the greater the likelihood of companies disclosing COSO ERM. However, the significance value of 0.526 (> 0.05) indicates that the effect of profitability on COSO ERM is not significant.

On the other hand, the leverage variable has a coefficient of 3.316 with a positive and significant direction at a significance level of 0.002 (< 0.05). This means that the higher the leverage, the higher the level of COSO ERM disclosure. Thus, leverage is the only independent variable that has a positive and significant effect on COSO ERM disclosure, while firm size, institutional ownership, and profitability do not show a significant effect.

Discussion

The Effect of Firm Size on Enterprise Risk Management Disclosure

The results of the study indicate that firm size has a positive effect on Enterprise Risk Management (ERM) disclosure. These findings indicate that the larger the firm size, the higher the level of ERM disclosure. Larger companies tend to have more resources, including personnel and budget, to manage and implement Enterprise Risk Management practices. This allows them to more easily produce detailed and comprehensive disclosures about how they manage risk. Large companies often have more complex operations, with diverse business units, branches, and subsidiaries. This can result in more diverse and complex risks, which affect the level of Enterprise Risk Management disclosure required. Large companies often have more stakeholders, including institutional shareholders, creditors, and regulators. These stakeholders may have higher demands for more detailed Enterprise Risk Management disclosure. Investors may conduct more in-depth risk analysis on large companies, and they may require more detailed information about the company's risk management. Therefore, large companies may feel the need to provide more comprehensive Enterprise Risk Management disclosure. This study is in line with research (Fayola & Nurbaiti, 2020) which states that firm size has a positive effect on the level of ERM disclosure. However, this contradicts the research (Khasanahwati & Suwarno, 2023) which states that firm size has no effect on risk disclosure. This is because long-established companies do not necessarily have good risk management and are willing to improve their quality over time. The difference in the results of this study may arise due to differences in the research context, such as the type of industry and the observation period.

The Effect of Institutional Ownership on Enterprise Risk Management Disclosure

This study states that institutional ownership in property sector companies does not affect Enterprise Risk Management (ERM) disclosure. This may occur because institutional investors have a large share of ownership, allowing them to obtain private access to internal company information and eliminating the need to demand public disclosure (Jain et al., 2022). The results of this study are consistent with the study by (Oktavia & Isbanah, 2019), but contradict agency theory, which states that the higher the number of institutional investors, the more active the company can be in corporate governance, including in improving enterprise risk management disclosure. This indicates that institutional investors still obtain information disclosure related to Enterprise Risk Management (ERM) conducted by conventional banks, even though the value of institutional ownership has decreased or increased.

The Effect of Profitability on Enterprise Risk Management Disclosure

The results of this study indicate that profitability, proxied by Return on Assets (ROA), in property companies does not affect Enterprise Risk Management

(ERM) disclosure. The results of this study are in line with the signaling theory in the research (Ardian & Rahardja, 2013; Wicaksono & Adiwibowo, 2017), where companies with high profitability do not need to emphasize risk disclosure because their financial condition is already quite good. Meanwhile, companies with low profitability must be more careful in conveying information that could worsen public perception. The results of this study are inconsistent with agency theory, which states that the more profits a company earns, the more detailed managers will be in disclosing how they manage business risks in order to attract investors and gain their trust to invest in the company (Rujiin & Sukirman, 2020). This study is in line with the research (Haryanti & Hardiyanti, 2022) that profitability does not affect Enterprise Risk Management disclosure. Therefore, this study provides a theoretical contribution that the level of profitability is not always a strong indicator in encouraging ERM disclosure, especially in the property sector, which is more influenced by market conditions and government regulations than by pure financial variables (Paqih Fauzan et al., 2024).

The Effect of Leverage on Enterprise Risk Management Disclosure

The results of this study indicate that leverage has a positive effect on Enterprise Risk Management disclosure. A high level of leverage often means that a company has higher financial risks. These include risks related to interest payments, debt financing, and liquidity issues. Companies may feel the need to provide more detailed disclosures about how they manage these risks through Enterprise Risk Management. Creditors or lenders may have specific requirements related to Enterprise Risk Management disclosure as part of loan or bond agreements. Companies with high leverage and significant debt may be pressured by creditors to provide more detailed disclosures about how they manage risk. High leverage can create concerns about the stability and sustainability of the company. To maintain or build stakeholder trust, companies with high leverage may feel the need to provide strong Enterprise Risk Management disclosures as part of efforts to reduce uncertainty and risks that may be associated with debt. This study is in line with research (Sarwono et al., 2018) that leverage has a positive effect on Enterprise Risk Management disclosures.

CONCLUSION

This study was conducted to empirically examine the effect of firm size, institutional ownership, profitability, and leverage on the level of Enterprise Risk Management (ERM) disclosure in property companies listed on the Jakarta Islamic Index 70 (JII70) for the period 2018–2022. The results of this study indicate that, partially, firm size and leverage have a positive effect on ERM disclosure, while institutional ownership and profitability do not show a significant effect. This indicates that companies with larger sizes and higher debt levels tend to have a stronger incentive to improve transparency in risk disclosure, while ownership structure and profitability are not yet major factors in driving ERM disclosure levels in the property sector.

These findings have theoretical implications that financial factors such as firm size and capital structure play an important role in supporting transparent risk management practices, in line with agency theory which emphasizes the importance of accountability and information disclosure to stakeholders. In practical terms, the results of this study can be considered by companies to strengthen their risk disclosure policies and by investors to assess the quality of corporate transparency.

This study still has limitations in terms of the small sample size and its focus on only one sector, namely the property sector. Therefore, the results of this study cannot be generalized to all capital market sectors in Indonesia. For further research, it is recommended to expand the object to various industry sectors and add non-financial variables such as corporate governance, board structure, or organizational culture to provide a more comprehensive understanding of the factors that influence Enterprise Risk Management disclosure in Indonesia.

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