The Effect of Corporate Governance, Regulatory Compliance, and Company Size on Enterprise Risk Management of Kalimantan Regional Development Banks

Darmansyah¹, Laila Refiana Said², Fifi Swandari³
Lambung Mangkurat University¹,²,³
Jl. Brig Jendral, Hasan Basri, 70123, Banjarmasin
Correspondence Email: darmansyah@ojk.go.id
ORCID ID: 0009-0000-9439-2196

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ABSTRACT

This study analyzes the effect of corporate governance, regulatory compliance, and company size on enterprise risk management. The subject of this study is regional banking companies located in the Kalimantan using data during 2014-2023. The results of the data test show that corporate governance, regulatory compliance, and company size affect the risk management of a company. The findings of this study support the importance of developing good governance and complying with applicable procedures in implementing more effective risk management. In addition, the larger a company, the more of focus on risk management to become more effective organization.

Keywords: Compliance; Company Size, Corporate Governance; Enterprise Risk management; Regional Development Banks

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INTRODUCTION

As per the Law Number 10 of 1998 Amendment of Law Number 7 of 1992 concerning Banking, a bank is defined as follows: A bank is a type of business that raises the standard of living for a large number of people by taking deposits from the general public and distributing those money to them in the form of credit or other means (Sinta, 2020). The province and regency/city governments own the Regional Development Bank, or BPD, as a regional enterprise (Berly et al., 2022). The regional economy and the Regional Development Bank are inextricably linked. The name of the region of origin, which is inextricably linked to the location where BPD was founded, illustrates this tie. Because BPD serves as a "cashier" to distribute the Regional Revenue and Expenditure Budget (APBD), its existence is inextricably linked to that of the Regional Government (Pemda). As a result, BPD stands out from other banks due to its unique qualities. The majority of its funds originate from third parties and are government demand deposits held by local governments (Ferly et al., 2023).

As of December 31, 2022, BPD's share ownership by the provincial government or district/city governments in Kalimantan can be seen in Table 1 as follows:

<table>
<thead>
<tr>
<th>No</th>
<th>Name Bank</th>
<th>% of Provincial Government Shares</th>
<th>% of District/City Government Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bank Kalsel</td>
<td>26.74</td>
<td>73.26</td>
</tr>
<tr>
<td>2</td>
<td>Bank Kalbar</td>
<td>50.63</td>
<td>49.37</td>
</tr>
<tr>
<td>3</td>
<td>Bank Kalteng</td>
<td>43.38</td>
<td>56.62</td>
</tr>
<tr>
<td>4</td>
<td>Bank Kaltimtara</td>
<td>41.26</td>
<td>58.74</td>
</tr>
</tbody>
</table>

Financial intermediation is another function that Regional Development Banks (BPD), a regional banking organization, perform. BPD must always enhance its performance and function in promoting regional development, particularly economic growth. However, as a public financial institution, BPD must also adhere to the standards of accountability and openness in the execution of its business operations, including its financial performance (Saragih, 2017). According to Permana and Andjani (2014), BPD is a financial institution in Indonesia that aims to improve the regional economy through financial inclusion.

The establishment of BPD in Kalimantan is a result of the local government's role as a catalyst for regional development. Local governments entrust BPD Kalimantan with the responsibility of facilitating the development of infrastructure, micro, small, and medium-sized enterprises, education, agriculture, and other economic endeavors within the framework of regional development by acting as an intermediary organization. It is always necessary for BPD to keep playing a part in providing working capital and investment projects for regional development funds in Kalimantan. However, as part of national banking policy, BPD Kalimantan is required to always follow regulations determined by Bank Indonesia (Ferly et al., 2023). BPD in Kalimantan are leading in supporting economic and infrastructure development in the Kalimantan Island. The functions of the BPD include providing credit for regional development, banking services for the community, managing local government funds, and assisting in developing small and medium enterprises.

The role of BPD in providing productive credit is still low from the credit disbursed due to, among others, limited competence of human resources in risk management, supporting the findings of Budhisulistyawati et al. (2015). This is reflected in the NPL ratio of working capital loans and investment loans much higher than consumption.
loans (Berly et al., 2022). The same thing faced by BPD in Kalimantan is limited resources, where BPD needs more financial and human resources to meet the demands of economic growth and development of Kalimantan. At the same time, BPD must strictly follow banking and applicable regulations as part of regulatory compliance factors. These include minimum capital requirements, financial statements, and data security and privacy standards compliance.

### Table 2. Development of NPL, LDR, CAR, ROA, NIM and BOPO in BPD Kalimantan

<table>
<thead>
<tr>
<th>No</th>
<th>Bank Name</th>
<th>Year</th>
<th>% NPL %</th>
<th>% LDR</th>
<th>% CAR</th>
<th>% ROA</th>
<th>% NIM</th>
<th>% BOPO</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>BPD Kalsel</td>
<td>2018</td>
<td>4.09</td>
<td>89.73</td>
<td>26.85</td>
<td>1.28</td>
<td>6.02</td>
<td>88.23</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>2019</td>
<td>4.14</td>
<td>95.26</td>
<td>23.58</td>
<td>1.42</td>
<td>5.83</td>
<td>87.36</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>2020</td>
<td>3.64</td>
<td>93.15</td>
<td>22.30</td>
<td>2.10</td>
<td>6.14</td>
<td>78.54</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>2021</td>
<td>3.70</td>
<td>82.80</td>
<td>24.35</td>
<td>1.85</td>
<td>5.99</td>
<td>79.98</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>2022</td>
<td>3.10</td>
<td>80.94</td>
<td>25.03</td>
<td>1.71</td>
<td>5.04</td>
<td>77.17</td>
</tr>
<tr>
<td>6</td>
<td>BPD Kalbar</td>
<td>2018</td>
<td>1.74</td>
<td>82.46</td>
<td>23.57</td>
<td>2.75</td>
<td>6.94</td>
<td>72.19</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td>2019</td>
<td>1.62</td>
<td>83.12</td>
<td>25.24</td>
<td>2.74</td>
<td>7.05</td>
<td>71.95</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td>2020</td>
<td>1.84</td>
<td>87.33</td>
<td>26.19</td>
<td>2.86</td>
<td>7.22</td>
<td>70.59</td>
</tr>
<tr>
<td>9</td>
<td></td>
<td>2021</td>
<td>1.91</td>
<td>71.31</td>
<td>26.67</td>
<td>2.62</td>
<td>6.65</td>
<td>69.16</td>
</tr>
<tr>
<td>10</td>
<td></td>
<td>2022</td>
<td>1.75</td>
<td>82.48</td>
<td>29.25</td>
<td>2.69</td>
<td>6.79</td>
<td>68.34</td>
</tr>
<tr>
<td>11</td>
<td>BPD Kalimtara</td>
<td>2018</td>
<td>4.46</td>
<td>72.48</td>
<td>22.51</td>
<td>2.91</td>
<td>5.75</td>
<td>71.48</td>
</tr>
<tr>
<td>12</td>
<td></td>
<td>2019</td>
<td>6.13</td>
<td>69.26</td>
<td>20.28</td>
<td>1.75</td>
<td>5.63</td>
<td>79.77</td>
</tr>
<tr>
<td>13</td>
<td></td>
<td>2020</td>
<td>6.27</td>
<td>69.53</td>
<td>22.25</td>
<td>1.29</td>
<td>5.81</td>
<td>86.96</td>
</tr>
<tr>
<td>14</td>
<td></td>
<td>2021</td>
<td>3.46</td>
<td>63.60</td>
<td>23.01</td>
<td>1.44</td>
<td>5.16</td>
<td>79.42</td>
</tr>
<tr>
<td>15</td>
<td></td>
<td>2022</td>
<td>3.21</td>
<td>49.29</td>
<td>24.43</td>
<td>1.39</td>
<td>5.24</td>
<td>78.38</td>
</tr>
<tr>
<td>16</td>
<td>BPD Kalteng</td>
<td>2018</td>
<td>0.32</td>
<td>85.30</td>
<td>29.22</td>
<td>3.93</td>
<td>8.42</td>
<td>70.69</td>
</tr>
<tr>
<td>17</td>
<td></td>
<td>2019</td>
<td>0.29</td>
<td>92.40</td>
<td>26.56</td>
<td>3.23</td>
<td>7.47</td>
<td>72.42</td>
</tr>
<tr>
<td>18</td>
<td></td>
<td>2020</td>
<td>0.45</td>
<td>86.10</td>
<td>24.17</td>
<td>3.06</td>
<td>7.50</td>
<td>72.02</td>
</tr>
<tr>
<td>19</td>
<td></td>
<td>2021</td>
<td>0.64</td>
<td>82.48</td>
<td>25.75</td>
<td>2.77</td>
<td>7.21</td>
<td>72.16</td>
</tr>
<tr>
<td>20</td>
<td></td>
<td>2022</td>
<td>1.07</td>
<td>88.67</td>
<td>28.45</td>
<td>2.72</td>
<td>8.09</td>
<td>72.93</td>
</tr>
</tbody>
</table>

Following the big-business disclosure scandals like those involving Enron in 2001, WorldCom in 2002, and Tyco in 2003, the application of corporate governance becomes extremely important for any organization. An indication of how seriously Indonesia takes corporate governance is the 1999 establishment of the National Committee on Governance Policy. According to the Forum for Corporate Governance in Indonesia (FCGI), corporate governance is a system of rules that regulate the relationships between various internal and external parties, including shareholders, administrators, creditors, the government, and employees. Stated differently, a system that guides and manages the business (Harahap et al., 2020). A governance system that thoroughly explains the intricate relationships and interactions between different stakeholders with an interest in an organized and orderly company environment is referred to as good corporate governance (Putra et al., 2021). Realizing corporate governance for the Indonesian company and generating additional value for all stakeholders are the two main objectives of corporate governance implementation (Harahap et al., 2020).

One of the most important elements affecting how well a company performs has been identified as corporate governance. The field of corporate governance pertains to the methods by which interested parties (i.e., stakeholders) work together to guarantee that managers and other insiders consistently take the right actions or implement policies that protect the interests of the stakeholders. The need for such measures stems from the separation of ownership and management, which is becoming a crucial aspect of contemporary organizations (Odongo et al., 2023). The idea of corporate governance
was proposed with the goal of starting adjustments in a company's performance. This strategy attempts to guarantee that the degree of accountability of management to stakeholders, particularly shareholders, may be appropriately maintained by closely supervising and monitoring the company’s management's execution (Fitriyah & Fauzan, 2020).

Five fundamental principles must always serve as the foundation for the banking industry's implementation of good corporate governance. Let's start with transparency. It is candor in communicating pertinent, important information and making decisions. Accountability comes second. It is the execution of accountability and the clarity of function of bank organs that provide efficient management. And finally, accountability. It is the adherence of bank management to legal requirements and rules that are relevant to the fundamentals of good bank management. Independence comes in fourth. Professional bank management, free from outside interference. Lastly, equity. To meet the rights of stakeholders deriving from agreements and applicable rules and regulations, it is justice and equality (Sudana et al., 2022).

A key component of initiatives to boost economic growth and efficiency while bolstering investor confidence is corporate governance. The company can retain the continuity of its operations and gain greater confidence from the public and investors by putting corporate governance concepts into practice. To put it simply, the major goal of putting corporate governance into place is to make sure the business can run sustainably over the long run. Ensuring that the governance adopted by the organization meets the satisfaction of all stakeholders, including shareholders, requires the application of best governance standards. The company's goal is to attain optimal long-term sustainability through this method, which will have a favorable effect on the company's growth and sustainability going forward (Triyuwono et al., 2020).

To ensure the firm runs smoothly and healthily in accordance with the set aims, the principles of corporate governance must be followed by the company's operations. The key component of effective corporate governance is its emphasis on identifying and mitigating possible agency issues in order to ensure smooth business operations and lower potential risks (Nugroho & Budiman, 2022).

Regulatory compliance is carried out to regulate and discipline each employee. With laws or regulations, an organization or company will become more orderly. If there is an internal conflict then there are regulations and laws that will be a reference (Savila, 2021)

Businesses and their size go hand in hand. A company's size is a direct reflection of the size of its assets. A company's size and assets increase with its size, which might affect how much money it needs to run its operations. In an effort to maximize business value, management decisions on funding are also influenced by the size of the organization. The total assets owned by the company can be used to determine its worth, and one aspect that may affect that value is its size. The company's size can be a good indicator of its growth and ultimately raise its worth. The expansion of total assets over the whole amount of corporate debt indicates the increase in company value (Purwanti, 2020).

Every company must have the potential for various risks that may arise. The greater the level of risk faced, the greater the potential return that can be obtained. Risk in this context can be interpreted as the possibility of an event that can cause losses. However, the response given by the company to this risk is a very crucial aspect. The reaction taken by the company in dealing with risks can vary, including efforts to avoid
them, prevent them, reduce them, or even transfer the risk to other parties. In dealing with risks that may arise, companies must have adequate capabilities in managing risks to minimize potential losses. Therefore, concrete steps that are considered effective in dealing with risks through the risk management process are very important to be implemented by the company (Astakoni & Wardita, 2020).

Corporate risk management is a strategy used to survive in a competitive business environment, rapid economic growth makes enterprise risk management an important part of the company in maintaining the company's performance and profitability level, as well as high awareness of risk management mostly as a result of several disasters faced by the company and unexpected business failures (Putri, 2013; Sari et al., 2022). Management has an important role in exercising control over risks that may arise as the company develops, trying to maintain the stability of the entity. Companies that adopt risk management practices tend to achieve better performance compared to those that do not adopt them. The implementation of risk management is considered capable of reducing the risk of company failure, while increasing the efficiency and overall value of the company (Ticoalu et al., 2021).

In order for businesses to reduce risks and repercussions and more carefully seize opportunities, risk management plays a critical role in achieving corporate governance (Pradaana & Rikumahu, 2014). Corporate governance refers to a procedure established within a company that authorizes directors to notify material facts about the state of investors and other stakeholders and make efficient and accurate decisions within the company (Pradaana & Rikumahu, 2014; Santoso, 2008).

Implementing risk management can help reduce the risk of failure because management is considered to have a more effective system in managing various risks. Greater corporate responsibility to stakeholders further emphasizes the need for larger companies to implement more mature risk management. In addition to having to meet external demands, large companies must also prove their credibility in providing information needed by various stakeholders, which may be more complex than small companies. On the other hand, the growing attractiveness for investors in large companies can provide additional benefits, such as increases in stock price and company value. However, the large size of the company also carries increasingly complex risks. Therefore, it is important to implement appropriate risk management, which reflects management's efforts to minimize potential risks that may arise. This is necessary with the support of an effective risk management system and adequate resources (Ticoalu et al., 2021).

Governance, risk, and compliance (GRC) activities are fundamentally interconnected, and by establishing an integrated, common discipline around regulations, policies, risks, controls, and issues, relying on the same set of information, methodologies, processes, and technologies, leading organizations have demonstrated that they can make better use of information, improve operational efficiency, and provide greater transparency to legal risks, regulatory, operational and overall business (Pertiwi & Muslih, 2023).

Governance, Risk, and Compliance is a combination of three concepts that work together to adjust the facts of activities throughout the company to function more effectively and efficiently, report more and eliminate ineffective overlap (Maulana & Iradianty, 2022). In the implementation of these three concepts, GRC becomes an integral and continuous concept. If the company does not apply the GRC concept that is not integrated, it will cause weak coordination and lead to inefficiency in cost management which has an impact on company performance. Conversely, if the
application is integrated, it can be a company resolution to weak qualifications in various industries and other commodities to support the country's economy and boost the company's performance level (Pertiwi & Muslih, 2023).

Corporate governance, as assessed by institutional leadership characteristics, audit committee factors, and risk management, affects risk management disclosure, according to research by Lokaputra et al. (2021). Foreign ownership had a favorable influence on risk management, while ownership structure as measured by management ownership had a negative but minor effect. Furthermore, risk management disclosure was positively and significantly affected by corporate governance variables that were proxied by public ownership variables and the number of independent commissioners (Swarte et al., 2020). Additional research by Swarte et al. (2020) found that risk management is unaffected by corporate governance characteristics proxied with public ownership structures.

Based on the above background, the author is interested in examining the relationship between corporate governance, regulatory compliance, and company size to enterprise risk management at BPD in Kalimantan. This study is intended to contribute to a small amount of similar literature. Composite ratings measure the application of governance as a measurement developed by banks. Total assets are used to calculate a company's size, and audit performance serves as a proxy for regulatory compliance. Enterprise risk management serves as a gauge for risk management.

**LITERATURE REVIEW**

"The way of exercising power in the management of a country's economic and social resources for development" is what the World Bank defines as governance (Nour et al., 2020). Unquestionably, corporate governance is a framework for policing businesses that generate value for all parties involved. Excellent corporate governance is the foundation for appropriately controlling managerial behavior in the course of conducting business. According to Praptiningsih et al. (2022), "corporate governance is a system that regulates and regulates company activities to create added value for all interested parties in the company."

According to Odongo et al. (2023), corporate governance refers to the practices, procedures, rules, and regulations that make up an organization. Corporate governance makes ensuring that decisions are made based on the most efficient allocation of resources while also taking social, economic, and political aspects into account (Nour et al., 2020). The subject of corporate governance has gained international recognition, particularly in Indonesia.

Company size is a parameter or value that allows grouping a company into large or small categories, taking into account factors such as total company assets, share value, average sales level, and total sales. A company with a large dimension indicates having significant total assets, reflecting a maturity stage where the company's cash flow becomes positive. This shows the company's stability and capacity to make more money than small businesses and is seen as a sign of promising prospects over a sizable amount of time (Asih & Darmawati, 2022).

Risk management is an organized method for handling all business-related tasks. One of the principles of the company's accountability to its shareholders is risk management (Audrina et al., 2022). The systematic method of managing risk is known as risk management. The risk management process consists of four steps: risk identification,
risk evaluation, risk management technique selection, implementation, and technique review (Nuswantoro & Winursito, 2023).

Assessing and analyzing risk is best done through risk management. But it doesn't indicate a continuous risk identification process, it simply gives a snapshot of the situation at a certain moment, and it doesn't account for new risks that can surface during the decision-making process (Sibarani & Lusmeida, 2021). Risk management is a form of uncertainty about a situation that occurs later, with decisions based on various considerations.

Regulatory compliance will be closely related to internal audit, one of which is internal audit is responsible for assessing the extent to which the company complies with applicable regulations, not only that internal audit also provides advice or training to a company including BPD on Governance, risk and compliance, to ensure all parts of BPD, especially the Kalimantan region, run their company units based on the vision and mission built. In a company with another will differ the function of internal auditors, it depends on the variety of company activities and analysis of the costs incurred (Ritonga, 2023).

The success rate of audits conducted by internal auditors in controlling risk management also varies when compared between companies, such as the following activities that can encourage audit success, where the internal audit must always coordinate with company management, such as the company following the internal auditor's direction regarding risk avoidance to achieve company targets with the condition that the internal auditor must be oriented to the allocation of audit resources optimally, this will reduce the highest level of risk for the recovery of company activities and resource savings based on the risk analysis conducted (Lovu, 2018) positive impacts can also be felt if companies such as regional development banks, especially in Kalimantan, want to implement appropriate risk management and return decisions on target, BPD in the Kalimantan region needs to be open to internal auditors and related ranks (Ritonga, 2023).

Based on Bank Indonesia Regulation Number 13/2/PBI/2011 about the Implementation of Commercial Bank Compliance Functions (Zamroni, 2016), compliance is defined as the values, behaviors, and actions that ensure conformity to Bank Indonesia regulations and applicable laws and regulations. Because larger enterprises can better represent the interests of public government agencies, Yusuf (2018) characterizes firm size as a reflection of political cost theory (Bello et al., 2019). Assets, sales, and market capitalization are three ways to quantify a company's size (Sari et al., 2019).

Signaling theory states that because big businesses rely on outside funding, they feel compelled to share more information regarding risk in order to give stakeholders a positive impression of the company's risk management capabilities. The percentage of share ownership presents information about external funding sources. This is consistent with the size of the business within the Kalimantan regional development bank, as shown by the shareholder report. The district-level share ownership percentage of each regional development bank in Kalimantan is nearly 50%, indicating a reasonably large scale within an organization. The dangers a firm face are related to its size and include financial, operational, reputational, and use of cutting-edge technology that must be used wisely and constantly observed. Furthermore, large businesses have the financial means to cover the expense of further risk disclosure (Gotri et al., 2019).
A wide range of risks, including credit, operational, market, liquidity, legal, reputational, strategic, and compliance risks, need to be monitored, according to POJK No.18/POJK.03/2016, which addresses the implementation of risk management for commercial banks. Every risk at hand must be managed, or put another way, prospective losses brought on by the happening of a specific event must be kept under control. Businesses that bear greater risk are motivated to give outside parties more information about their risks. According to research that was agreed upon, the size of the business has a considerable and favorable impact on its risk management (Sarwono et al., 2018). Consequently, the degree of compliance and audit success are used in this study to gauge regulatory compliance. The size of the company is determined in this study by taking the natural logarithm of its total assets.

**RESEARCH METHOD**

**Type of the Research and Data Sources**
This kind of study employs quantitative descriptive analysis in its research design. The goal of quantitative descriptive analysis is to describe or characterize the data that has been gathered without attempting to draw broad inferences or generalizations (Amruddin et al., 2022). Panel data were employed in the study, and multiple linear regression analysis was the research methodology. Secondary data from four BPDs in Kalimantan that were observed between 2014 and 2022 were used in this investigation. Bank Kalsel, Bank Kaltimtara, Bank Kalteng, and Bank Kalbar are the four BPDs in question. The publicly available financial accounts of the company are the source of the research data.

**Data Analysis Techniques**
This research uses a panel data regression model, classical assumption tests, and multiple linear regression tests. As for estimating regression models, panel data can use the Chow and Hausman Test (Sugiyono, 2016).

**Descriptive Statistical Analysis**
One statistical technique for analyzing data gathered from numerous units (typically people or places) assessed over a specific period of time is a regression model with panel data. The panel data regression model uses three different approaches: the Random Effect Model, Fixed Effect Model, and Common Effect Model.

Panel Data Regression Model
In order to characterize the data and interpret panel data, proper model definition tests are necessary. The Chow Test and Hausman Test are two tests that can be used to determine which model is best.

The study's population consists of local banking institutions in the Kalimantan region. The purposive sampling approach was used for this study’s sampling, and the following requirements were met:

**Table 3. Number of Data for 9 Years (2014-2022)**

<table>
<thead>
<tr>
<th>Information</th>
<th>Not Included in the Criteria</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional banking companies located in the Kalimantan region in 2014-2022</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Regional banking companies located in the Kalimantan region publish their annual reports to the public for 2014-2022</td>
<td>0</td>
<td>4</td>
</tr>
</tbody>
</table>
In order to give an overview or description of the data derived from the mean, standard deviation, maximum, and minimum values, the analysis technique used in this study makes use of descriptive statistics. To determine if the data in this study meet the requirements of classical assumptions, the classical assumption test is employed. Tests for heteroskedasticity, autocorrelation, multicollinearity, and normality are used in the traditional assumption test. The simultaneous significance test (F-test), the t-test, and the coefficient of determination test R² are all used in this investigation. The following multiple regression models were employed in this study:

\[ ERM = \alpha + b_1 \text{(PKT)} + b_2 \text{(KAP)} + b_3 \text{(Size)} + e \]

**Note:**
- \( ERM \) = Enterprise Risk Management
- \( \alpha \) = Constant
- \( b_1 – b_4 \) = Regression coefficient
- \( \text{PKT} \) = Governance Composite Rating
- \( \text{KAP} \) = Successful Compliance Audit
- \( \text{Size} \) = Size
- \( e \) = error

**Chow Test**
A statistical method for comparing two regression models computed from separate samples is the Chow test. This test is useful in determining which panel model, out of the Common Effect Model (CEM) and Fixed Effect Model (FEM), is best suited for application.

**Hausman Test**
The Hausman test is a statistical technique that compares parameter efficiency between two regression models estimated from different samples. This test is helpful to determine which panel model is most suitable for use between the Fixed Effect Model (FEM) and Random Effect Model (REM).

**Classical Assumption Test**
A classical assumption test is a set of statistical tests used to check the extent to which the analyzed data satisfies the basic assumptions of a particular statistical analysis technique. These basic assumptions ensure that multicollinearity and heteroscedasticity are not present in this study or that the resulting data are normally distributed. If this is not found, the classical regression assumption has been fulfilled.

**Multiple Linear Regression**
Priyanto (2014) states that multiple regression is a variation of simple linear regression that is used to ascertain the linear relationship or influence between one dependent variable and two or more independent variables.

**RESULTS**
The impact of the governance composite, success audit, and assets on risk management were examined in this study using the panel data regression model and the classical assumption test.
Panel Data Regression Model
Several test stages, such as the Chow Test, Hausman Test, and Lagrange Multiplier Test as follows, can be used to estimate the most suitable panel data regression model:

Chow Test

Table 4. Chow Test Result
<table>
<thead>
<tr>
<th>Redundant Fixed Effects Tests</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Equation: Untitled</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Test cross-section fixed effects</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effect Test</td>
<td>Statistic</td>
<td>d.f.</td>
</tr>
<tr>
<td>Cross-section F</td>
<td>95.753998</td>
<td>(3,29)</td>
</tr>
<tr>
<td>Cross-section Chi-square</td>
<td>86.013905</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: Test Eviews 12, data processed

Table 2's Chow test findings indicate that F has a probability value of 0.0000. Thus, it may be said that the Fixed Effect Model (FEM) is the chosen model when the probability value is less than 0.05. The next regression model test is to identify which of the Fixed Effect Model (FEM) and Random Effect Model (REM) is the most suitable model using the Hausman test.

Table 5. Hausman Test Results
<table>
<thead>
<tr>
<th>Correlated Random Effect-Hausman Test</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Equation: Untitled</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Test cross-section random effects</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Test Summary</td>
<td>Chi-Sq Statistic</td>
<td>Chi-Sq d.f.</td>
</tr>
<tr>
<td>Cross-section random</td>
<td>287.261994</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: Test Eviews 12, data processed

Table 3 displays the outcome of the Hausman test, which indicates a Chi-Square probability value of 0.0000. Thus, it may be deduced that the chosen regression model is a Fixed Effect Model (FEM)—panel Data Regression Final Model Selection if the probability value of Chi-square < 0.05.

Multicollinearity test
The results of the multicollinearity test are in Table 6:

Table 6. Multicollinearity test

<table>
<thead>
<tr>
<th>Composite</th>
<th>Audit Success</th>
<th>Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Composite</td>
<td>-0.0820609</td>
<td>0.23007147</td>
</tr>
<tr>
<td>Audit_Success</td>
<td>-0.0820609</td>
<td>1</td>
</tr>
<tr>
<td>Assets</td>
<td>0.23007147</td>
<td>0.39951785</td>
</tr>
</tbody>
</table>

Source: Test Eviews 12, data processed

Table 4 shows that the correlation coefficient between composite (X1), audit (X2), and assets (X3) < 0.85. These results indicate no multicollinearity symptoms in this study's regression model.
Heteroscedasticity Test
Here are the results of the heteroscedasticity test with the glacier test:

**Figure 1.** Heteroscedasticity test

The blue color chart indicates that the residual variants are the same because it does not cross the lines at 500 and -500. Consequently, the heteroscedasticity test is passed and there are no signs of heteroscedasticity.

Panel Data Regression Test
A Fixed Effect Model (FEM) is used in this study's panel data linear regression equation. The table below displays the summary of panel data regression results:

Source: Test Eviews 12, data processed
Table 7. Panel Data Regression Result

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Errors</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>0.401376</td>
<td>0.054169</td>
<td>7.409722</td>
<td>0.0000</td>
</tr>
<tr>
<td>COMPOSITE</td>
<td>0.031787</td>
<td>0.013508</td>
<td>2.353295</td>
<td>0.0256</td>
</tr>
<tr>
<td>AUDIT SUCCESS</td>
<td>0.014569</td>
<td>0.013869</td>
<td>1.050468</td>
<td>0.3022</td>
</tr>
<tr>
<td>ASSETS</td>
<td>0.001299</td>
<td>0.000827</td>
<td>1.570651</td>
<td>0.1271</td>
</tr>
</tbody>
</table>

Effects Specification

The multiple linear regression equation of panel data using the Fixed Effect Model (FEM) in this study can be stated as follows based on Table 5:

ERM is equal to 0.401376 + 0.001299 x assets + (0.014569 x audit_success) + e.

DISCUSSION

The effect of corporate governance on risk management

The likelihood value of strong corporate governance, as determined by the governance composite, displays a coefficient result of 0.031787 < sig. 0.05, according to the outcomes of the data test conducted using Eviews 12. These findings imply that risk management is impacted by the composite value of governance. Corporate governance composite ratings affect risk management. Good corporate governance practices can contribute to achieving organizational goals by implementing risk management at individual activity levels and functional areas. Composite ratings given to regional development banks in the Kalimantan region have their own assessment, if the range of numbers at 3-4 is categorized as sufficient or less, then systematic corrective steps are needed in handling it, when the company experiences instability or business ups and downs, risk management is needed in the process. The risk management process will affect governance which will directly impact the composite value of a company (Nisa, 2020).
The effect of regulatory compliance on risk management

A successful risk management audit has a probability value of 0.014569 < sig 0.05, according to the findings of data testing conducted with Eviews 12. The audit's success had an impact on risk management, as evidenced by the results, which had a value higher than the significance value. Risk management is affected by audit success. The risk management assessment conducted by the auditor can pinpoint opportunities for enhancement and guarantee that the organization's risk management protocols efficiently accomplish goals. It is well recognized that the scope of work, the professionalism of the internal audit personnel, the independence of internal auditors, and the effectiveness of the internal audit department all fall under the category of audit quality. Not only that, as the actions carried out by audits are quite long, it is usually necessary to evaluate risk management, evaluating the reliability of the information produced will affect the mitigation of operational risks and other risks (Arafah et al., 2023).

The effect of company size on risk management

The probability value of variable size as assessed by assets against risk management displays a coefficient value of 0.001299 < sig. 0.05, according to the results of data testing using Eviews 12. A coefficient value less than the significance level of 0.05 was displayed in the results. Thus, assets have an impact on risk management. How big the company is has an impact on risk management. Big businesses are better at managing risk because they have more resources. Larger companies will benefit from an increase in the company's worth because they are more likely to obtain sufficient funding sources. The company's value is deemed robust, which influences the company's ability to withstand fiercer competition in the marketplace and, ultimately, extends the company's lifespan. This is consistent with study by Hapsoro and Falih (2020), which indicates that a high asset count will generate significant profits. This indicates that cash flow is generally positive and capable of supporting long-term sustainability (Aditya et al., 2022). Furthermore, when risk management is accompanied by substantial assets, it will be simple to cover risks that emerge, even those that require expenses for management.

CONCLUSION

The study's findings regarding the effects of corporate governance, regulatory compliance, and company size on enterprise risk management can be summarized as follows: based on the results of multiple linear regression tests performed using eviews 12, all three variables significantly affect risk management. Given that the likelihood of a successful risk management audit is 0.014569 < sig 0.05, the governance composite determines that the probability of effective corporate governance is 0.031787 < sig. 0.05. The value of the variable size's probability, as evaluated by assets vs risk management, is 0.001299 < sig. 0.05, and the results demonstrated a value higher than the significance level. In the results, the coefficient was found to be less than the significance level of 0.05. As a result, BPD may successfully manage risk management by enhancing sound corporate governance, abiding by relevant laws, and making the best use of company assets.
REFERENCES


