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THE VALUE RELEVANCE OF FINANCIAL INSTRUMENTS RISK DISCLOSURE UNDER IFRS 7 IN INDONESIAN BANKING SECTOR

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ABSTRACT

The purpose of this thesis is "to examine the impact of IFRS 7's risk disclosure requirements on investors in the Indonesian banking sector". This research is based on data on various types of financial risk from the Indonesian market banking sector, including: "credit, liquidity, and market risks, as defined by IFRS 7". The purpose of this research is "to determine the value relevance of financial instruments risk disclosure from the perspective of users in the Indonesian banking industry in accordance with IFRS 7 recommendations; to determine whether the information on financial risks required by IFRS 7 is relevant to investors in order to support their investment decisions"; and "to analyze the impact of financial instrument risk disclosure required by IFRS 7 in the Indonesian banking system on investors". This research was aided by agency theory. This study's population is the banking sector on the Indonesian Stock Exchange from 2018 to 2019. The total number of companies included in the research sample is 41. The analysis of this research included descriptive statistics, Pearson correlation, and Ordinary Least Square (OLS) regression. Our analyses confirm that: "the qualitative financial disclosure index (QLFDI) has a positive effect on the share price of a bank, whereas the quantitative financial disclosure index (QTFDI) has a negative effect on the share price of a bank; thus, the qualitative financial disclosure index recommended by IFRS 7 is relevant".

Keywords: financial instruments, risk disclosure, IFRS 7, banking sector, Indonesian market, value relevance, quantitative financial disclosure index, qualitative financial disclosure index.

INTRODUCTION

The research is being conducted in order to achieve some purposes which are: first of all, to examine the value relevance of financial instrument risk disclosure from the perspective of users in the Indonesian banking industry in accordance with IFRS 7 recommendations. In this study, the purpose of IFRS 7 is to make financial statement users more transparent about organizations that take risks and how they manage those risks. Second, to test whether the information on financial risks required by IFRS 7 is relevant to investors to support their investment decisions. Financial instrument risk disclosure is intended to assist users of entity financial statements in understanding the significance of financial instruments, the nature and scope of the risks generated by financial instruments, and how to manage those risks. Third, to analyze the impact of financial instrument risk exposure intended by IFRS 7 in the Indonesian financial system on investors. The relationship between economic conditions and various significant financial risk exposures is highlighted in IFRS 7 (such as credit, liquidity, and market risk). The banking sector's mission is to give economic security and confidence. If banks are allowed to fail and consumers lose their assets, widespread financial panic would ensue, prompting many individuals to withdraw their funds and hoard cash. Bank Indonesia's major role is to manage and distribute public funds in order to support the country's economic growth and national stability, as well as to improve people's welfare. The banking industry is one of

Indonesia's most strict regulatory authorities, with such functions and aims.

THEORETICAL FRAMEWORK AND HYPOTHESES DEVELOPMENT

Agency theory is relevant in this study because information exposure, according to agency theory (Hill & Jones, 1992), is "a mechanism for reducing the cost of conflicts between owners (principals), managers (agents), and creditors". Financial instrument risk disclosure in banking sector is becoming mandatory because there are some regulations that make banks must disclose their information. (Jensen & Meckling, 1976) argue that creditors expect shareholders to try steal their wealth during price negotiations, for example, by issuing bonds to increase business risks. Because the increased financing costs resulting from this assumption must eventually be paid by the company, it may try cut costs by agreeing to particular limits or contracts according to (DIAMOND & VERRECCHIA, 1991), and removing funding costs. As mentioned by (FERNANDO et al., 2012), creditors eliminate uncertainty and maintain control over information required by managers by disclosing information. (Mitnick, 2015) stated that "due to conflicting interests of shareholders and managers, agency theory predicts that the latter will act in the interests of the former, thus disclosing the information requested by the principal". Control agents and demonstrate that they behave correctly as indicated by (Malone et al., 1993) and (Mahmud Hossain et al., 1994). According agency theory, (Mitnick, 2015) affirmed that organizations with even lower agency costs will experience higher expected returns as a result of increased information exposure: increased debt, more dispersed shareholders, and larger enterprises. In general, empirical evidence contradicts agency theory. However, the expected link between debt and disclosure of information has not yet been established according to (Zampella, 2017). A wide range of studies have disproved this hypothesis in several nations and sectors, including (*Voluntary Financial Disclosure by Mexican Corporations on JSTOR*, n.d.), (Olusegun Wallace et al., 1994), (Meek et al., 1995), (Raffournier, 1995) and (Depoers, 2000). Many studies on the relationship between disclosure and shareholder atomization have shown inconsistent findings. Thus was established an essential relationship (McKinnon & Dalimunthe, 1993) and (Malone et al., 1993). This relationship was rejected by (Depoers, 2000). Indirect costs, which include any reduction in future cash flows caused by the loss or decrease of the company's competitive advantage (Called "proprietary cost theory") , were disclosed by (Wallace et al., 1995). One of the disadvantages is the entry of new competitors, which might be encouraged by public information according to (Zampella, 2017). Increased disclosure is expected to occur if entrance barriers are reduced. Information disclosure may be influenced by labor pressure since labor representatives might use it to negotiate working conditions as asserted by (Allini et al., 2020). A significant negative association between labor pressure and information disclosure was discovered by (Deegan & Hallam, 1991).

The financial disclosure index, which is divided into "qualitative and quantitative financial disclosure", is the key independent variable tested in this study. The stock price was chosen as the dependent variable in this study because it is more involved in accounting amounts that influence investor decisions.

Figure 1 Theoretical background

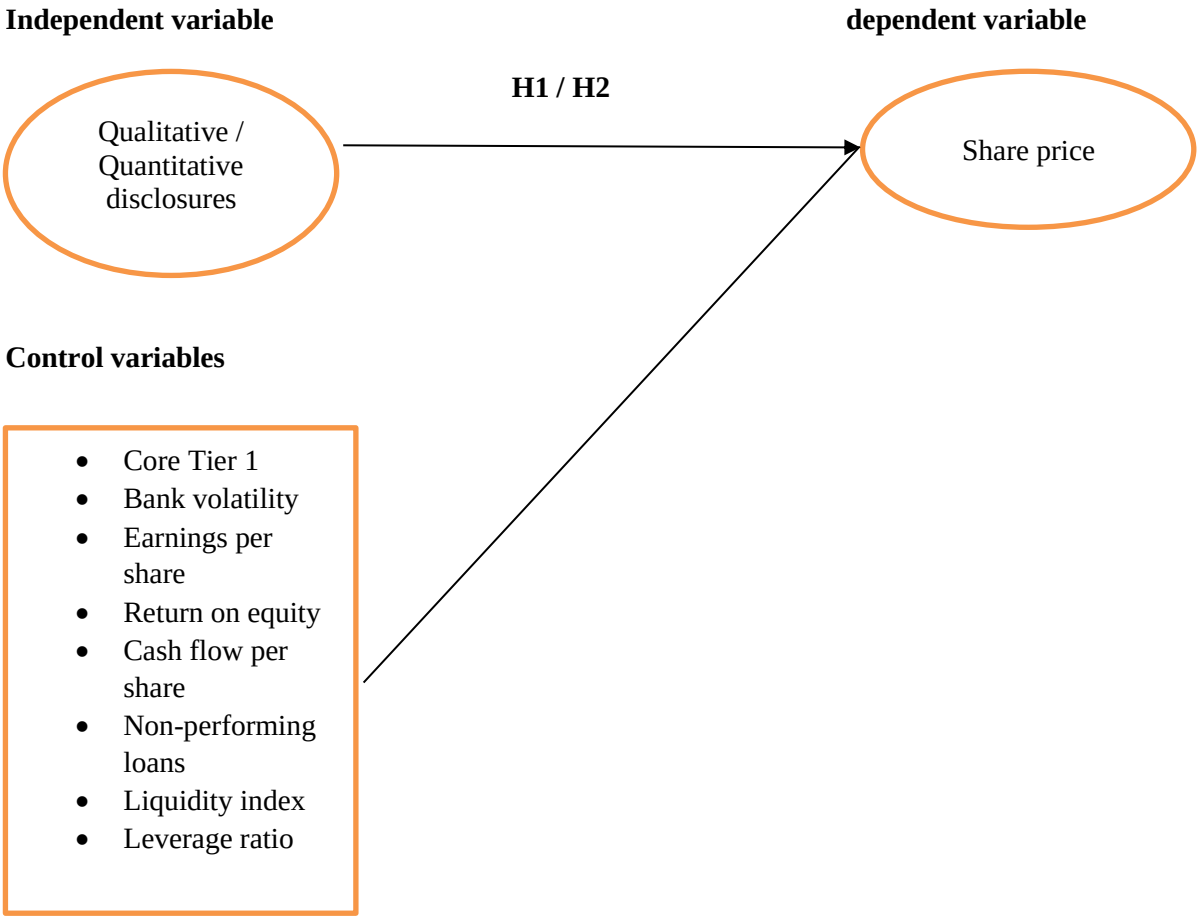

Figure 1 explains the theoretical framework the author wants to proceed. The first hypothesis indicates that the qualitative financial disclosure index required by IFRS 7 is associated of the independent variable with Indonesian banks' share price as the dependent variable. The association between the control variables, including core Tier 1, bank volatility, earnings per share, return on equity, cash flow per share, non-performing loans, liquidity index, leverage ratio independent of dependent variables. The second hypothesis illustrates the quantitative financial exposure required by IFRS 7 is associated with Indonesian banks' share price also. The association between the control variables in the second hypothesis is same as in the first hypothesis.

H1. IFRS 7 requires a qualitative financial disclosure index associated with the share price of Indonesian banks
H2. IFRS 7 requires a quantitative financial disclosure index associated with the share price of Indonesian banks

RESEARCH METHODOLOGY

Research variables and operational definitions

There are three variables in this section: independent variables, dependent variables, and additional independent variables.

Dependent variable

The stock price was employed as the dependent variable in this study.

The price of a single share in a large number of selling stocks of a company, derivative, or other financial asset is known as the stock price according to (Zampella, 2017). In the case of the consumer "the stock price is the highest price, or the lowest price, that one may purchase".

Independent variables

Following (Mohammed Hossain & Reaz, 2007) investigations, a total financial disclosure index (TFDI) was established to examine the data collected.

According to (Zampella, 2017) this index is calculated by dividing the total number of required disclosures made by a bank by the following:

$$TFDIij = \frac{\Sigma xi}{n}$$

Where:

if 1 item is disclosed by company, Xij = 1; otherwise, j 0.

n = is the number of items in the disclosure index

Qualitative financial disclosure index

As mentioned by (Gabler, n.d.), for each type of financial instrument management, qualitative disclosures describe the risk exposures associated with the objectives, policies and processes for managing these risks, as well as changes in the prior methodology.

$$QLFDIij = \frac{\Sigma xi}{n}$$

Where:

if 1 item is disclosed by company, Xij = 1; otherwise, j 0.

n = is the number of items in the disclosure index

QLFDI (the qualitative financial disclosure index)

Quantitative financial disclosure index

Regarding to (Gabler, n.d.) statements, the quantitative disclosures, which are based on information provided internally to the firm's key management employees, the quantitative disclosures provide information about the extent to which the entity is exposed to risk. Quantitative data on risk exposure at the reporting date, disclosures about credit risk, liquidity risk, and market risk, as well as risk concentrations as stated by (Gabler, n.d.) .

$$QTFDIij = \frac{\Sigma xi}{n}$$

Where:

If 1 item is disclosed by company, Xij = 1; otherwise, j 0

n = is the number of items in the disclosure index

QTFDI (the qualitative financial disclosure index)

As mentioned by (Zampella, 2017) the indexes explain the total number of items disclosed by the bank j divided by the total number of items of the checklist, so that:

"0≤TFDI≥ 1 (the maximum score is represented by 24 items)"

"0≤QLFDI≥1 (the maximum score is represented by 9 items)"

"0≤QTFDI≥1 (the maximum score is represented by 15 items)"

Table 1 Control variables measurements

Variables	Description	Measurements
Return on equity (ROE)	Profitability of banks based on money invested by shareholders	Earnings on book value equity
Book value per share (BVPS)	Tier 1 is similar to core tier 1	Book value of equity on common shares
Liquidity index (LIQ)	The ability of banks to meet short-term obligations	Cash and equivalents plus available for sale on total deposits
Leverage ratio (LEV)	Shareholders' obligations in relation to bank investments	Tier 1 on total assets on and off-balance sheet
Non-performing loans (NPL)	Exposure at risk	NPL on total loans
Cash flow per share (CFPS)	Banks' business models' strength and sustainability	Free cash flow on common shares
Earnings per share (EPS)	Profitability of banks	Earnings on common share
Bank volatility	Returns dispersion	Standard deviation between returns from that same security
Core Tier 1	Capacity of banks to mitigate financial and operational risks without relying on external resources	Tier 1 on risk-weighted

Source: (Zampella, 2017)

Population and sample

The population and sample for this study are banking companies that were listed on the Indonesian stock exchange (IDX) between 2018 and 2019. In 2018-2019, IDX had a total of 41 banking companies listed. Annual reports from each bank's website were used to process the data.

Method for data collection

For this investigation, data should be gathered from the websites of each bank. As defined by (Hakim, 2016), secondary data includes information gathered through literature reviews, publications such as newspapers, books, and websites, and other sources. According to (Aryani, 2016) also, the advantages of secondary data are already available; other data may be collected very easily when searching on the internet, scanning newspapers or reading reports published by firms, governments, stock exchanges, public databases and associated departments. Thirdly, (Aryani, 2016) affirmed that, because data have already been acquired by others, the researcher does not compile data immediately on the field. Fourth, (Aryani, 2016) argued that, data can be used in a variety of ways by the researcher. The fifth is cheaper and more efficient according to (Aryani, 2016). Sixth, the data can represent national or international scope. Finally, data is simple to collect and analyze over a lengthy period of time as mentioned by (Aryani, 2016).

(Aryani, 2016) certified that, annual reports have the advantage of being periodically provided by banks as a requirement of the Indonesian Stock Exchange. (Aryani, 2016) asserted also that, annual reports detail previous management activities as well as crucial information. Annual reports can also contain more information, such as pictures, graphics, and tables, as well as quantitative and qualitative explanations of the company's results as stated by (Aryani, 2016).

Method of analysis

In this investigation, multiple regression analysis was used as the analytical method. Multiple regression analysis was employed as the analytical method in this research. The purpose of this procedure

is to process and test the data that has been collected.
The regression model is presented as follows:

1. "$P= \alpha+ \beta_1 CORE\_TIER1_{jt}+\beta_2 EPS_{jt}+\beta_3 Bank\_volatility_{jt} +\varepsilon$"
2. "$P=\alpha+\beta_1 CORE\_TIER1_{jt}+\beta_2 EPS_{jt}+\beta_3 Bank\_volatility_{jt}+\beta_4 LIQ_{jt}+\beta_5 ROE_{jt}+\beta_6 CFPS_{jt}+\beta_7 NPL_{jt}+\beta_8 LEV_{jt} +\varepsilon$"
3. "$P=\alpha+\beta 1CORE\_TIER1jt+\beta 2EPSjt+\beta 3Bank\_volatilityjt+\beta 4LIQjt+\beta 5ROEjt+\beta 6CFPSjt+\beta 7NPLjt+\beta 8LEVjt+ \beta 9QLFDIjt +\varepsilon$"
4. "$P=\alpha+\beta 1CORE\_TIER1jt+\beta 2EPSjt+\beta 3Bank\_volatilityjt+\beta 4LIQjt+\beta 5ROEjt+\beta 6CFPSjt+\beta 7NPLjt+\beta 8LEVjt+ \beta 9QTFDIjt +\varepsilon$"

Description:
P: price
CORE_TIER1: core tier 1
EPS: earnings per share
ROE: return on equity
LIQ: liquidity index
CFPS: cash flow per share
NPL: non-performing loans
LEV: leverage
QLFD: qualitative financial disclosure index
QTFD: quantitative Financial Disclosure index

RESULTS AND DISCUSSIONS

Object of research description

This study focuses on Bank Indonesia companies that were "listed on the Indonesian stock exchange (IDX) during 2018 and 2019". The sample chosen according to particular criteria was employed to define the sample for this investigation.

Table 2 Sample selection

No	Criteria	Total of samples
1	2018 – 2019, financial companies listed on the Indonesian stock exchange (IDX)	176
2	Companies not included in the corporate banking sector according to IDX	89
3	Companies who do not have all of the data required for the variables used in this study	35
5	Outlier data	6
6	Total of research samples	41

Data analysis
Descriptive statistics analysis

Table 3 Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Share price	34	1	168395	19234.79	33391.649
Quantitative financial disclosure index	34	1	162327990903	15274420680.35	35858624090.758
Qualitative financial disclosure index	34	2	11	6.35	1.952
Core tier 1	34	1	910850467	117404730.18	253141849.204
Bank volatility	34	-15.89	4.00	.9982	3.26077
Earnings per share	34	-97.19	82.17	13.7397	31.25537
Cash flow per share	34	-200538666396	185761530651	4635626105.85	53323805006.880
Non-performing loans	34	1.30	10.16	3.6106	2.24301
Leverage ratio	34	1.00	40.32	19.2521	8.96704
Return on equity	34	-89.03	19.41	1.1129	20.83643
Liquidity index	34	1.00	98.90	64.2094	34.53531
Valid N (listwise)	34				

Source: secondary data processing 2021

The data processing findings of descriptive statistical analysis of each variable in this study are shown in the table 3 there is “a maximum value, a minimum value, a mean, and a standard deviation” for each variable. Among the dependent variables, the maximum and minimum prices are 1 and 168395, respectively. The mean and standard deviation of prices are 19234.79 and 33391.649. The two main independent variables in this study are the qualitative financial disclosure index and the quantitative financial disclosure index. The qualitative financial disclosure index has a maximum value of 11, a minimum value of 2, and a mean and standard deviation are 6.35 and 1.952. The maximum value of the quantitative financial disclosure index is 16, and the minimum value is 1. The mean of the quantitative financial disclosure index is 15274420680.35, and the standard deviation is 35858624090.758.

There are also additional independent variables in this research, “core tier 1, bank volatility, earnings per share, cash flow per share, non-performing loans, leverage ratio, the return on equity, liquidity index”. Maximum value, minimum value, mean and standard deviation of core tier 1 are 91, 1, 117404730.18, and 253141849.204. Bank volatility has 4.00 maximum value, and -15.89 minimum value, the mean and standard deviation of bank volatility are .9982 and 3.26077. The maximum value of the earnings per share is 82.17 and the minimum value is -97.19, the earnings per share has 13.7397 of mean and 31.25537 standard deviation. Cash flow per share has 18 maximum value and -200 minimum value, for the mean and standard deviation are 4635626105.85 and 53323805006.880. The maximum value of non-performing loans is 10.16 and the minimum value is 1.30, non-performing loans has 3.6106 mean and 2.24301 standard deviation. Tier 1 on total assets on and off-balance sheet is used to determine leverage ratio. The maximum leverage ratio value is 40.32 and the minimum value is 1.00, with a mean of 19.2521 and a standard deviation of 8.96704. The return on equity is an important measure of bank’s profitability by revealing how much profit a bank generates with the money shareholders have invested. So, the maximum value of the return on equity is 19.41 and the minimum value is -89.03, the return on equity has 1.1129 mean and 20.83643 of standard deviation. And the last additional independent variable is liquidity index with maximum value 98.90 and minimum value 1.00, the mean of liquidity index is 64.2094 and the standard deviation is 34.53531.

Pearson correlation analysis

Table 4 Pearson correlation analysis

		Stock price	QTFDI	QLFDI	Core_tier1	Bank volatility	EPS	CFPS	NPL	LEV	ROE	LIQ
Stock price	Pearson Correlation	1	-.135	.262	.591**	.267	.208	-.030	-.302	.174	.259	.285
	Sig. (2-tailed)		.448	.134	.000	.126	.237	.864	.082	.326	.139	.102
	N	34	34	34	34	34	34	34	34	34	34	34
QTFDI	Pearson Correlation	-.135	1	-.001	-.133	-.053	-.062	-.100	.385*	-.035	.009	-.015
	Sig. (2-tailed)	.448		.994	.452	.764	.729	.572	.025	.844	.959	.932
	N	34	34	34	34	34	34	34	34	34	34	34
QLFDI	Pearson Correlation	.262	-.001	1	.259	.240	.141	.013	.112	-.067	.131	.006
	Sig. (2-tailed)	.134	.994		.140	.172	.425	.941	.527	.706	.459	.971
	N	34	34	34	34	34	34	34	34	34	34	34
Core_tier1	Pearson Correlation	.591**	-.133	.259	1	.282	.140	-.041	-.255	.075	.296	.254
	Sig. (2-tailed)	.000	.452	.140		.106	.429	.820	.146	.675	.089	.148
	N	34	34	34	34	34	34	34	34	34	34	34
Bank volatility	Pearson Correlation	.267	-.053	.240	.282	1	.697**	-.408*	-.116	.150	.808**	.164
	Sig. (2-tailed)	.126	.764	.172	.106		.000	.017	.512	.398	.000	.354
	N	34	34	34	34	34	34	34	34	34	34	34
EPS	Pearson Correlation	.208	-.062	.141	.140	.697**	1	-.290	-.172	.071	.456**	.106
	Sig. (2-tailed)	.237	.729	.425	.429	.000		.096	.330	.690	.007	.550
	N	34	34	34	34	34	34	34	34	34	34	34
CFPS	Pearson Correlation	-.030	-.100	.013	-.041	-.408*	-.290	1	.373*	-.344*	-.388*	.211
	Sig. (2-tailed)	.864	.572	.941	.820	.017	.096		.030	.046	.023	.230
	N	34	34	34	34	34	34	34	34	34	34	34
NPL	Pearson Correlation	-.302	.385*	.112	-.255	-.116	-.172	.373*	1	-.280	-.192	.062
	Sig. (2-tailed)	.082	.025	.527	.146	.512	.330	.030		.109	.276	.726
	N	34	34	34	34	34	34	34	34	34	34	34
LEV	Pearson Correlation	.174	-.035	-.067	.075	.150	.071	-.344*	-.280	1	.192	.052
	Sig. (2-tailed)	.326	.844	.706	.675	.398	.690	.046	.109		.275	.772
	N	34	34	34	34	34	34	34	34	34	34	34
ROE	Pearson Correlation	.259	.009	.131	.296	.808**	.456**	-.388*	-.192	.192	1	.265
	Sig. (2-tailed)	.139	.959	.459	.089	.000	.007	.023	.276	.275		.130
	N	34	34	34	34	34	34	34	34	34	34	34
LIQ	Pearson Correlation	.285	-.015	.006	.254	.164	.106	.211	.062	.052	.265	1
	Sig. (2-tailed)	.102	.932	.971	.148	.354	.550	.230	.726	.772	.130	
	N	34	34	34	34	34	34	34	34	34	34	34

**Correlation is significant at the 0.1 level (2-tailed)
* Correlation is significant at the 0.5 level (2-tailed)

The Pearson correlations between variables are shown in table 4

QLFDI, core tier 1, bank volatility, EPS, LEV, ROE, LIQ are positively and significantly correlated with price, while QTFDI, CFPS, NPL are negatively and significantly correlated with price.

NPL, and ROE are all positively and significantly correlated with the QTFDI, while Price, QLFDI,

Core tier 1, EPS, CFPS, LEV, LIQ are negatively and significantly correlated with the QTFDI.

Price, core tier 1, Bank volatility, EPS, CFPS, NPL, ROE, LIQ are all positively and significantly correlated with QLFDI, while QTFDI, LEV are negatively and significantly correlated with QLFDI.

Regression model results

Table 5
Ordinary Least Square (OLS) regression results model 1

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8569.410	5621.292		1.524	.138
	Core_tier1	7.473E-5	.000	.567	3.726	.001
	EPS	112.051	217.193	.105	.516	.610
	Bank volatility	352.621	2148.481	.034	.164	.871

a. Dependent Variable: Stock price

Table 6
Ordinary Least Square (OLS) regression results model 2

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
2	(Constant)	3540.903	19422.409		.182	.857
	Core_tier1	6.330E-5	.000	.480	2.814	.009
	EPS	64.454	240.267	.060	.268	.791
	Bank volatility	1261.167	3547.382	.123	.356	.725
	LIQ	130.542	167.650	.135	.779	.443
	ROE	-94.137	454.738	-.059	-.207	.838
	CFPS	6.990E-8	.000	.112	.567	.576
	NPL	-2786.584	2655.412	-.187	-1.049	.304
	LEV	393.614	619.116	.106	.636	.531

a. Dependent Variable: Stock price

Table 7
Ordinary Least Square (OLS) regression results model 3

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
3	(Constant)	-12505.741	25710.393		-.486	.631
	Core_tier1	5.751E-5	.000	.436	2.465	.021
	EPS	68.117	240.724	.064	.283	.780
	Bank volatility	691.997	3603.321	.068	.192	.849
	LIQ	146.248	168.750	.151	.867	.395
	ROE	-59.560	456.981	-.037	-.130	.897
	CFPS	6.465E-8	.000	.103	.523	.606
	NPL	-3184.547	2692.574	-.214	-1.183	.249
	LEV	418.249	620.749	.112	.674	.507
	QLFDI	2704.889	2832.962	.158	.955	.349

a. Dependent Variable: Stock price

Table 8
Ordinary Least Square (OLS) regression results model 4

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
4	(Constant)	4005.698	19916.206		.201	.842
	Core_tier1	6.323E-5	.000	.479	2.757	.011
	EPS	60.242	245.728	.056	.245	.808
	Bank volatility	1431.046	3698.951	.140	.387	.702
	LIQ	130.277	170.940	.135	.762	.453
	ROE	-111.144	470.093	-.069	-.236	.815
	CFPS	7.824E-8	.000	.125	.596	.557
	NPL	-3099.452	3060.415	-.208	-1.013	.321
	LEV	393.506	631.250	.106	.623	.539
	QTFDI	3.665E-8	.000	.039	.219	.828

a. Dependent Variable: Stock price

The regression statistics are shown in the table. The constant's statistics are shown in the first row. The slope coefficient for the independent variable is found in the first column, "B", in the second row. The standard error for the slope coefficient is provided in the second column, labeled "Std. Error." The third column, "Beta", provides a standardized form of the slope coefficient (also known as the correlation coefficient or "r" in bivariate regression). The t statistic is found in the fourth column, named "t". the p-value for the slope coefficient of the independent variable is found in the fifth column, labeled "Sig". If the p-value for this statistical test is more than 0.05 or 5 percent, the regression model is rejected, and if the p-value is less than 0.05 or 5 percent, the regression model is accepted.

The results in table 5 show the statistical regression model 1. The first regression model has three independent variable which are core tier 1, bank volatility and earnings per share. Because the significance level of core tier 1 is less than 0.01 and the beta coefficient is 7.473E-5, core tier 1 has a positive impact on the bank's share price. Bank volatility has a significance level of 0.871, indicating that it is negatively associated with the bank's share price, with a beta coefficient of 352.621. Earnings per share has 0.610 significance level also negatively affects bank's stock price and beta coefficient 112.051. In this first model core tier 1, bank volatility, and earnings per share are not statistically significant.

The results in table 6 show the statistical regression model 2. The second regression model has eight independent variables which are core tier 1, bank volatility, earnings per share, liquidity index, return on equity, cash flows per share, non-performing loans and leverage ratio. The p-value of the core tier 1 is 0.009 which is less than 0.05 or 5% and the beta coefficient is 6.330E-5. The core tier 1 in this model is accepted. Bank volatility has 0.725 significance level and has 1261.167 beta coefficient. For the earnings per share the p-value is 0.791 and the beta coefficient is 64.454. The liquidity index has 0.443 significance level and has 130.542 beta coefficient. The p-value of the return on equity is 0.838, and the beta coefficient is -94.137. For the cash flow per share the significance level is 0.576 and 6.990E-8 of the beta coefficients. Non-performing loans has 0.304 significance level and -2786.584 beta coefficient, and for the last additional independent variable leverage ratio, the p-value is 0.531 and the beta coefficient is 393.614. As a result, at the 5% level, all additional independent variables in the second regression model are negative and significantly related to the bank's share price, except core tier 1 which is positive impact to the bank's share price.

The statistical regression model 3 is illustrated in the table 7. We add one financial disclosure index (QLFDI) to this regression model, and the model 3 that contains QLFDI has a negative effect on the bank's share price since the significance level of QLFDI is 0.349 more than 0.05 or 5%, showing that qualitative disclosure is rejected, who is not value pertinent. The value of a bank is affected by qualitative disclosure, according to (Omair Alotaibi & Hussainey, 2016). Due to the lack of traditional and non-financial information in the annual report, issues of qualitative information disclosure remain a key concern. According Ping (2012) qualitative information disclosure has been heavily criticized as it fails to meet investors' expectation of investment decision-making. Similarly, previous research has found that qualitative information disclosure is given less importance in annual reports than standard financial information, which includes numerical or quantitative disclosure as mentioned by (Gibbins, Richardson & Waterhouse 1990). According to (Hieu and Lan 2015) low transparency and information asymmetry are associated to qualitative information disclosure. Low transparency indicates that not enough information is provided to investors and users of the annual reports, implying that there is an information

asymmetry between those who know and those who do not know. Therefore, the problem in qualitative information is some banks don't have complete information that this study requires in their annual reports, such as risk exposure, objectives, policies, risk management processes, and measurement methodologies.

The results in the table 8 show the statistical regression model 4. In this regression model we add one financial disclosure indexes (QTFDI). As indicated in the table, the QTFDI is not statistically significant, hence it has a negative impact on the bank's stock price with the significance level of 0.828 more than 0.05 or 5 % which means that quantitative disclosure is not also value pertinent. Some enterprises have less information about maximum exposure, collateral, credit quality of financial assets, aging analysis of financial assets, and individual asset analysis to determine whether they are impaired in the credit risk; sensitivity analysis in the market risk; maturity analysis for non-derivative financial liabilities and maturity analysis for derivative financial liabilities. In particular in the banking sector characterized by a large amount of complicated financial instruments, this type of information is difficult to analyze. Furthermore, users have little belief in the validity of quantitative financial disclosure indexes (QTFDI). According to one theory, the consequences of disclosure are influenced by three factors: uncertainty, multi-person settings with conflicts of interest, and information asymmetry (Wagenhofer, 2005). It is possible to predict a negative or missing relationship increasing disclosure and organization value based on the assumptions made about these aspects. Investors, for example, feel less profitable when production of information costs for an entity.

CONCLUSION

We wanted to determine if there was "any evidence of value relevance of financial risk disclosure from the user's outlook in the Indonesian banking sector, as required by IFRS 7". This study examined "how the Indonesian banking sector's risk disclosure under IFRS 7 affects investors, emphasizing the relationship between the economy's condition and a number of significant financial risk exposures including market risk, liquidity risk, and credit risk".

Based on the findings, it is clear that both the qualitative financial disclosure index (QLFDI) and the quantitative financial disclosure index (QTFDI) "have an unfavorable impact on bank share prices, thus, the qualitative and the quantitative financial disclosure indexes recommended by IFRS 7 are both irrelevant". According to (Allini et al., 2020), due to the lack of traditional and non-financial information in the annual report, issues of qualitative information disclosure remain a key concern. According Ping (2012) qualitative information disclosure has been heavily criticized as it fails to meet investors' expectation of investment decision-making. Similarly, previous research has found that qualitative information disclosure is given less importance in annual reports than standard financial information, which includes numerical or quantitative disclosure as mentioned by (Gibbins, Richardson & Waterhouse 1990). Based on the results, low transparency and information asymmetry are associated to qualitative information disclosure according to (Hieu and Lan 2015). (Barako 2007) affirmed that management can take advantage of the lack of disclosure qualitative information in the annual report to engage in activities that increase interest to the detriment of owners. According to (Lokman 2011) poor qualitative information disclosure puts outside shareholders to the risk of losing their money due to a lack of adequate information in annual report. On the other side, (Zampella, 2017) claimed that "the quantitative disclosure index, is difficult to interpret, especially in banking industry, which is characterized by significant number of complicated financial instruments". Some enterprises have less information about maximum exposure, collateral, credit quality of financial assets, aging analysis of financial assets, and individual asset analysis to determine whether they are impaired in the credit risk; sensitivity analysis in the market risk; maturity analysis for non-derivative financial liabilities

and maturity analysis for derivative financial liabilities. In particular in the banking sector characterized by a large amount of complicated financial instruments, this type of information is difficult to analyze. Furthermore, users have little belief in the validity of quantitative financial disclosure indexes (QTFDI). According to one theory, the consequences of disclosure are influenced by three factors: uncertainty, multi-person settings with conflicts of interest, and information asymmetry (Wagenhofer, 2005). It is possible to predict a negative or missing relationship increasing disclosure and organization value based on the assumptions made about these aspects. Investors, for example, feel less profitable when production of information costs for an entity. Based on the result, quantitative disclosure information is also rejected.

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