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Media Background of Directors and Financial Risk Disclosure: Evidence from Indonesia

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ABSTRACT

Purpose : This research aims to examine the impact of a director's media background on companies' financial risk disclosure practices in the Indonesian business context.
Method : The research utilized data from non-financial companies listed on the Indonesia Stock Exchange (IDX) from 2010-2021. Ordinary Least Squares (OLS) regression analysis was employed to test the relationship between the independent variable (media background of directors) and the dependent variable (the quality of financial risk disclosure). This research also uses The Heckman-Two Stage and CEM as robustness tests. Overall, both Heckman Two-Stage and CEM offer alternative approaches to address methodological challenges and enhance the credibility of the study's empirical findings.
Findings : The study's results indicate that directors with a media background tend to disclose fewer financial risks, suggesting that the influence of a media background can affect financial risk disclosure practices.
Novelty : This research is unique in exploring the impact of media backgrounds on financial risk disclosure in Indonesian companies. It provides new insights into the dynamics of corporate governance and the role of media in an increasingly information-driven era.

INTRODUCTION

The contemporary business landscape shows a significant increase in attention to the role of corporate governance and risk disclosure activities. Practices of fraud and misleading financial information disclosure have become growing concerns in corporate governance practices (Bufarwa et al., 2020). The impact is extensive: scandals, the collapse of major companies, and even global financial crises that trigger responses from around the world, threatening economic stability (Farbotko, 2019; Gonidakis et al., 2020). Changes in economic conditions are always under scrutiny for companies. The emergence of financial failures and economic turmoil is a series of interconnected events in an increasingly dynamic global world. Therefore, at least in the last one to two decades, important events occurring in various parts of the world highlight the importance of efficient corporate governance in achieving effective financial risk disclosure (FRD) (Bufarwa et al., 2020; Dey et al., 2018; Farbotko, 2019; Karajeh, 2023; Lombardi et al., 2016; Zango et al., 2016).

Contemporary business development is also in an era where information has become a critical link in business decision-making. The need for information is increasing, and demand transparency and reliability are the primary focus. Meanwhile, mass media in various forms and their evolution have become the focal point for stakeholders and the public to obtain information. In corporate governance practices, the media has also proven to play a significant role in representing companies convincingly to the outside world (Ang et al., 2021; Bai et al., 2019; Kang & Kim, 2017; Vergne et al., 2018). Blankespoor & deHaan (2020); Howard et al. (2021) identify two core roles of the media in corporate governance as a means that influences the public's and stakeholders' perceptions of the company, with an emphasis on the strategic information disclosure by the board of directors, such as the CEO, which can shape the company's image.

The brief description provided summarizes the argument for the importance of information disclosure needs and the inseparable role of the media. In light of this urgency, this research is motivated to delve into a specific as-

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pect of corporate governance by focusing on the media background of directors. Specifically, this research examines the impact of the media background of members of the board of directors on corporate financial risk disclosure practices, with a focus on the Indonesian context. For the indonesian context, the system adopted is a two-tier system that distinguishes between the board of commissioners and the board of directors. Thus, the board referred to in this study is responsible for managing or overseeing the company, namely the directors board.

This research offers several concepts that make it different from others. Firstly, the understanding of the media background of directors Concerning financial risk disclosure is a new idea. This idea aims to fill a relatively untouched area in corporate governance literature. While previous research on financial risk has been limited, they have focused on the influence of governance mechanisms with gender diversity (Bufarwa et al., 2020; Karajeh, 2023; Zango et al., 2016), readability (Ferri et al., 2022), quality (Lombardi et al., 2016), theories, and issues of stability and global financial crises (Farbotko, 2019; Gonidakis et al., 2020), disclosure models (Szczepankiewicz et al., 2022), and company financial attributes (Dey et al., 2018). Including the unique variable of directors' media backgrounds can bring a fresh perspective, considering the changing dynamics of the media in shaping public perception and corporate communication strategies.

Secondly, the indonesian context is suitable and supportive for the development of this research. Indonesia is a country with a very high level of social media usage among its population, and it has been the primary source of information for the past three years (Annur, 2023). Therefore, information revealed in the mass media, especially social media, has a significant influence on shaping public opinion and perception in Indonesia. Specifically, this will lead to an understanding of the impact of media backgrounds in enhancing transparency or introducing unique perspectives that influence risk communication in the corporate landscape of Indonesia.

Thirdly, in the context of management behaviour within governance mechanisms, the media background of the board of directors can aid in managing cognitive dissonance risks in financial risk disclosure by designing appropriate and effective information disclosures for communication with various stakeholders. It supports the belief that the use of cognitive dissonance theory can lead to a better understanding of directors' motives and bring fresh perspectives to the accounting field, which remains relatively unexplored. It is crucial, given the significant impact of financial risks. Transparency and alignment will be important highlights in financial risk disclosure to maintain stakeholders' perceptions and trust in the company.

This study employs Ordinary Least Squares (OLS) regression analysis to examine the relationship between the independent variable (media background of directors) and the dependent variable (financial risk disclosure quality). The study also employs Heckman Two-Stage and Coarsened Exact Match (CEM) analyses as robustness tests to validate its results. The Heckman Two-Stage Analysis addresses sample selection bias or endogeneity issues by estimating the probability of sample selection in two stages. On the other hand, CEM used for propensity score matching, particularly in observational studies where treatment assignment is not randomized. Overall, both Heckman Two-Stage and Coarsened Exact Match analyses are powerful techniques that help researchers address methodological challenges and enhance the credibility of the empirical results in this research by offering alternative approaches to validating the findings. Furthermore, we also conduct additional testing on a subsample of directors, namely CEOs, CFOs, and COOs.

The contribution of this research is both practical and theoretical. It provides valuable insights for practitioners, regulators, and academics to understand how the media's role can shape effective financial risk disclosure practices. Furthermore, the research results are expected to raise awareness about the importance of transparent financial reporting in supporting public participation and other stakeholders in the decision-making process that is informational and responsible. The remainder of this article is organized into four sequential sections as follows: literature review and hypothesis development, research methodology, results and discussion, and concludes with a summary.

The Cognitive Dissonance Theory emphasizes reducing "dissonance" to restore "consonance" (Auster, 1965). The concepts of dissonance and consonance can represent the relationship between companies driven by management behaviour and stakeholders, including media involvement (Dash, 2012; Okhmatovskiy & Shin, 2019), which is crucial for understanding the dynamics of risk disclosure (Ellili & Nobanee, 2017; Nobanee & Ellili, 2022) valid for decision-making. Investor expectations as stakeholders are primarily focused on the return on their investment in the company's shares (Semper et al., 2014). On the other hand, the expectations of other stakeholders through risk disclosure involve increased understanding because organizations can directly communicate about the various risks they face (Carnegie et al., 2022).

Moreover, as noted by (Bufarwa et al., 2020), companies growing in the contemporary complex business environment are driven to enhance financial risk disclosure as a differentiating characteristic. In line with this context, the Cognitive Dissonance Theory can play a significant role in understanding how board directors manage and disclose financial risk information to various stakeholders to reduce dissonance and achieve the expected consonance stability. Furthermore, dissonance and consonance also refer to global chaos and stability with widespread impacts. As further support, previous research by Elamer et al. (2019) and Ntim et al. (2013) also revealed a relationship between the role of boards of directors and stakeholders regarding financial risk disclosure in the governance context. The focus is on enhancing performance quality reflected in improved financial risk disclosure quality.

Several earlier studies examining financial risk disclosure from a regulatory perspective have found classic

responses regarding concern and indifference toward financial risk disclosure. For example, in India, Khandelwal et al. (2021) and in Malaysia, Zadeh & Eskandari (2012) revealed that financial risk disclosure still needs to follow more evident standards or guidelines with a relatively poor level of disclosure. The situation in Poland also shows that only 41% of companies in the energy sector disclose their financial risks (Szczepankiewicz et al., 2022). Meanwhile, evidence from samples of manufacturing industries dominated by countries in the Americas and Europe indicates a significant portion of financial risk disclosure (Dobler et al., 2011), relatively in-depth disclosure (Dey et al., 2018), including voluntary disclosure (Reguera-Alvarado & Bravo-Urquiza, 2020). The various findings from these studies suggest that financial risk disclosure still needs to be widely seen as a means to address various stakeholders' concerns. Even in Indonesia, information on the level of financial risk disclosure and the number of studies still needs to be more extensive and complex to find. The few existing studies focus on determinants (Meilani & Wiyadi, 2017) and a sample of 20 banking industry companies listed on the Indonesia Stock Exchange in 2015-2017, the impact of corporate governance effectiveness (Agustin et al., 2021) on the level of financial risk disclosure.

The importance of financial risk disclosure is not only from a regulatory perspective but also a critical element in building trust and supporting intelligent decision-making. Therefore, involving the media background in this research is rational and contextually relevant. Although financial risk disclosure in Indonesia is regulated through Financial Services Authority (OJK) Regulation No. 56/POJK.04/2015 on the Implementation of Risk Disclosure for Issuers and Public Companies and OJK Regulation No. 1/POJK.05/2015 on the Implementation of Risk Management for Non-Bank Financial Institutions, it is important to understand a company's ability to effectively communicate their financial risks to shape public perception of the company.

The role of media in governance practices has been proven capable of portraying companies in an attractive light from the perspective of public perception (Ang et al., 2021; Howard et al., 2021). Corporate managers are also shown to be able to respond appropriately to negative information and dismiss it (Okhmatovskiy & Shin, 2019), even serving as a benchmark in company performance (Bai et al., 2019) and director compensation (Kang & Kim, 2017; Vergne et al., 2018). A profound understanding of how the public presents and receives information becomes crucial. Experience in the media industry equips directors with a deep understanding of effective communication strategies with the public and external stakeholders. This capability reflects the dissonance and consonance about specific cognition, namely their knowledge of the media, which is associated with certain behaviours (Harmon-Jones & Harmon-Jones, 2007). These behaviours influence the approach and tendency to utilize media to disclose more or less information about financial risks in a manner understandable to the public and stakeholders. They encompass communication alignment and transparency tailored to efforts to reduce dissonance due to inconsistency in cognitive elements that cause discomfort.

While specific evidence regarding the media background of directors and financial risk disclosure has not been found in previous research, the theoretically presented arguments and rational reasons supported by evidence of the relevance between risk disclosure and media are strong enough to form hypotheses in this study. This research is also motivated to explore hypotheses given the possibility for directors to leverage their media skills to increase or decrease financial risk disclosure. The hypotheses formulated in this study are as follows:

H_1: The media background of directors influences the practice of financial risk disclosure in companies

RESEARCH METHODS

The sample used in this research comprises all companies listed on the Indonesia Stock Exchange during the period from 2010 to 2021, excluding SIC 6 in the financial, insurance, and real estate sectors due to their distinct characteristics and unique operational dynamics compared to other industries, these sectors often have specialized accounting practices, regulatory frameworks, and significantly different risk profiles. Additionally, the financial, insurance, and real estate industries are subject to specific regulatory oversight and reporting requirements, which can introduce complexities necessitating separate analysis (Beltratti & Corvino, 2008). This study utilizes a final sample of 2,940 annual observations after excluding companies with SIC code 6 and some companies that lack the required data availability. Table 1 illustrates the sample selection utilized in this study.

The dependent variable used in this study is financial risk disclosure. The content analysis and risk disclosure index in this research refers to the study conducted by Gull et al. (2022). There are 35 items in this index, and each disclosure item is scored on a scale of 0 – 1 (0 if the risk item is not disclosed, one if the risk item is disclosed), with

Table 1. Sample Selection

Descriptions	Sample Size
The total observed population of the research (2010-2020)	10,016
(-) Firms with SIC 6	(1,483)
(-) Missing Data for Financial Risk Disclosure Quality	(5038)
(-)Missing data for Media Background Director	(555)
Total Final Sample Size (N)	2,940

Table 2. Risk Disclosure Indeks

Risk Type	Risk Disclosure Index (RDI)
Interest Rate Risk	1. Risk Disclosure and how the risks manifest
	2. Objectives, policies, and procedures for managing risks and the methods used to measure risks
	3. Changes in risk exposure, risk measurement, and objectives, policies, and processes for managing risks from the previous period
	4. Summary of quantitative data on risk exposure as of the reporting date
	5. Sensitivity analysis of interest rates indicates how profit and equity would be affected by changes in relevant risk variables that may occur on that date.
	6. Methods and assumptions used in preparing sensitivity analysis
	7. Interest rate risk concentration, if not evident from quantitative data summaries and sensitivity analysis
Currency Risk	1. Risk disclosure and how the risks manifest.
	2. Objectives, policies, and processes for managing risks and the methods used to measure risks.
	3. Changes in risk exposure, risk measurement, objectives, policies, and processes for managing risks from the previous period.
	4. Summary of quantitative data on risk exposure as of the reporting date.
	5. Sensitivity analysis of currency risk indicates how changes in relevant risk variables that may occur on that date would affect profit or loss and equity.
	6. Methods and assumptions used in preparing sensitivity analysis.
	7. Currency risk concentration is not evident from quantitative data summaries and sensitivity analysis.
Other Price Risk	1. Risk disclosure and how the risks arise.
	2. Objectives, policies, processes for managing risks, and the methods used to measure risks.
	3. Changes in risk exposure, risk measurement, objectives, policies, and processes for managing risks from the previous period.
	4. Summary of quantitative data on risk exposure as of the reporting date.
	5. Sensitivity analysis of other price risks indicates how changes in relevant risk variables that may occur on that date would affect profit or loss and equity.
	6. Methods and assumptions used in preparing sensitivity analysis.
	7. Concentration of other price risk if not evident from quantitative data summaries and sensitivity analysis.
Liquidity Risk	1. Risk disclosure and how the risks arise.
	2. Objectives, policies, processes for managing risks, and the methods used to measure risks.
	3. Changes in risk exposure, risk measurement, objectives, policies, and processes for managing risks from the previous period.
	4. Summary of quantitative data on risk exposure as of the reporting date.
	5. Maturity analysis for financial liabilities showing the remaining contractual maturities.
Credit Risk	1. Risk disclosure and how the risks arise.
	2. Objectives, policies, processes for managing risks, and the methods used to measure risks.
	3. Changes in risk exposure, risk measurement, objectives, policies, and processes for managing risks from the previous period.
	4. Summary of quantitative data on risk exposure as of the reporting date.
	5. Credit risk concentration is not evident from quantitative data summary and sensitivity analysis.
	6. Maximum credit risk exposure (before deducting collateral).
	7. Provide a description of collateral used as security and other additional credit enhancements.
	8. Information on the quality of financial assets with credit risk that are neither past due nor impaired.
	9. The carrying amount of financial assets that are past due or impaired, where the terms have been renegotiated.

Table 3. Variable Definition

Variable		Definition	Sources
Dependent			
FRDQ	Financial Risk Disclosure Quality	FRD refers to the financial risk disclosure score, which comprises 35 items. A score of 1 indicates the disclosure of a risk item, and 0 indicates no disclosure, as per Gull et al. (2022).	Annual Report
Independent			
MBDN	Media Background Director (%)	The total number of directors with a media background is divided by the total number of directors.	Annual Report
MBD	Media Background Director	A dummy variable with a value of 1 if at least one person on the board has a media background and 0 if not.	
Controls			
BSIZE	Board Size	Total board size	
INCOM	Independent Committee	The number of independent commissioners.	Annual Report
FAGE	Firm Age	The age of the company since its IPO date.	
FSIZE	Firm Size	The natural logarithm of total assets.	
ROA	Return on Assets	Net Income/Total Assets	
LEV	Leverage	Total Debt/Total Equity	Financial Report
LOSS	Loss	A dummy variable with a value of 1 if the company incurs a loss and 0 otherwise.	
Robustness Test			
MEAN_MBD	Mean MBD	The average value of MBD by industry multiplied by 100	Annual Report
Additional Analysis			
CEO	CEO Media Background	A dummy variable with a value of 1 if the CEO has a media background and 0 if not.	
CFO	CFO Media Background	A dummy variable with a value of 1 if the CFO has a media background and 0 if not.	Annual Report
COO	COO Media Background	A dummy variable with a value of 1 if the COO has a media background and 0 if not.	

a maximum score of 35 for each sample. Furthermore, the items of the financial risk disclosure index used in this study are detailed in Table 2.

The independent variable in this study is the media background of directors. This variable is measured using two proxies: (1) media background directors in the form of a percentage (MBDN) and (2) media background directors in the form of a dummy variable (MBD). Bai et al. (2023) used a dummy variable criterion with a code of 1 if any director has work experience or is currently employed in a professional news organization, such as newspapers, magazines, online news platforms, television channels, digital entertainment, social media advertising, media branding, online platforms, or radio stations. They are further referred to as 'media professionals.' A code of 1 is also used if any director has education in arts, journalism, news, broadcasting, film production, communication, and media. Meanwhile, a code of 0 is used if no directors have work experience or education in the media field. The second proxy, MBDN, uses the percentage of directors with a media background divided by the total number of directors with a media background on the board of directors.

Control variables are also used in the study to ensure that the observed changes are caused by the manipulated variables rather than other unwanted factors, making the results more reliable. The control variables include board size, independent committees, company age, company size, ROA (Return on Assets), leverage, and loss. Table 3 will provide a comprehensive presentation of the measurements for each variable.

This research utilizes several data analysis techniques, including descriptive statistics, Pearson Correlation Test, and Ordinary Least Squares Regression. In addition, Heckman Two-Stage and Coarsened Exact Matching (CEM) analyses are conducted. To provide a more comprehensive analysis, we also examined the board of directors who may be directly involved in financial risk disclosure, such as the CEO, CFO, and COO. Winsorization is carried out to eliminate the possibility of outliers with many data points before data processing. Winsorization is applied to all control variables except for dummy variables. Meanwhile, the regression model employed a combination of

Table 4. Sample Distribution

Industry	MBD=0	MBD=1	Total
SIC 0 (Agriculture, Forestry and Fisheries)	97	14	111
SIC 1 (Mining)	396	50	446
SIC 2 (Construction industries)	705	101	806
SIC 3 (Manufacturing)	459	28	487
SIC 4 (Transportation, Communications and Utilities)	342	161	503
SIC 5 (Wholesale & retail trade)	217	59	276
SIC 7 (Service industries)	196	54	250
SIC 8 (Health, legal, and educational services & consulting)	53	8	61
Total	2465	475	2940

standard errors using Stata 17.0 software. Equation 1 and 2 are the model used in this research.

$$FRDQ_{it} = \beta_0 + \beta_1 MBDN_{it} + \beta_2 BSIZE_{it} + \beta_3 INCOM_{it} + \beta_4 FAGE_{it} + \beta_5 FSIZE_{it} + \beta_6 ROA_{it} + \beta_7 LEV_{it} + \beta_8 LOSS_{it} + \text{Industry FE} + \text{Year FE} + \varepsilon \quad \ldots\ldots 1$$

$$FRDQ_{it} = \beta_0 + \beta_1 MBD_{it} + \beta_2 BSIZE_{it} + \beta_3 INCOM_{it} + \beta_4 FAGE_{it} + \beta_5 FSIZE_{it} + \beta_6 ROA_{it} + \beta_7 LEV_{it} + \beta_8 LOSS_{it} + \text{Industry FE} + \text{Year FE} + \varepsilon \quad \ldots\ldots 2$$

RESULTS AND DISCUSSIONS

Descriptive Statistics and Univariate Analysis

The details of the sample distribution are presented in Table 4 based on the SIC code of the company sectors and the number of companies with directors having a media background (MBD = 1) and those without a media background (MBD = 0).

This study employs unbalanced data, wherein the distribution of observations across different groups or periods is uneven. Descriptive statistics for various variables used in this study are presented in Table 5. The results indicate that FRDQ, representing the quality of financial risk disclosure, has an average of 14.788, a median of 15, and values ranging from 4 to 22, demonstrating variation in financial risk disclosure among the researched companies. MBDN, indicating the percentage of directors with a media background, has an average of 0.288 with a maximum of 0.600, showing that some companies have up to 60% of directors with a media background. MBD is a dummy variable indicating the presence of directors with a media background, with an average of 0.059 or <6%, indicating that a small number of companies have directors with a media background, as defined in this study. Other variables such as board size (BSIZE), income (INCOM), company size (FSIZE), company age (FAGE), return on assets (ROA), leverage (LEV), and loss (LOSS) are also presented with mean, median, and range values, reflecting common characteristics of the sampled companies.

Furthermore, Table 6 presents the results of the univariate analysis in Pearson Correlation. Table 4 shows that MBDN positively correlates with FRDQ (0.038**) and MEAN_MBD (0.051***). However, MBD does not significantly correlate with FRDQ (0.006). The significant positive correlation between MBDN and MBD suggests that both variables tend to increase together; the more directors with a media background, the higher the dummy value for the presence of these directors. Positive correlations between board size (BSIZE) and FRDQ can also be

Table 5. Descriptive Statistics

	N	Mean	Minimum	Median	Maximum
FRDQ	2940	14.788	4.000	15.000	22.000
MBDN	2940	0.288	0.000	0.000	0.600
MBD	2940	0.059	0.000	0.000	1.000
BSIZE	2940	8.905	4.000	8.000	18.000
INCOM	2940	1.608	0.000	1.000	4.000
FSIZE	2940	6.786	2.398	6.806	10.551
FAGE	2940	37.283	4.000	35.000	121.000
ROA	2940	0.022	-0.419	0.022	0.364
LEV	2940	1.407	-753.358	0.933	370.574
LOSS	2940	0.278	0.000	0.000	1.000

Table 6. Matrix Correlation

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]	[14]
[1]	FRDQ	1													
[2]	MBDN	0.038**	1												
		-0.038													
[3]	MBD	0.006	0.930***	1											
		-0.74	0												
[4]	MEAN_MBD	0.051***	0.755***	0.784***	1										
		-0.006	0	0											
[5]	CEO	0.02	0.765***	0.763***	0.609***	1									
		-0.269	0	0	0										
[6]	CFO	0.031*	0.133***	0.159***	0.201***	0.042**	1								
		-0.095	0	0	0	-0.025									
[7]	COO	0.064***	0.750***	0.757***	0.914***	0.447***	0.069***	1							
		-0.001	0	0	0	0	0								
[8]	BSIZE	0.292***	0.135***	0.035*	0.136***	0.089***	-0.018	0.157***	1						
		0	0	-0.074	0	0	-0.356	0							
[9]	INCOM	0.220***	0.093***	0.046**	0.112***	0.054***	-0.008	0.125***	0.663***	1					
		0	0	-0.013	0	-0.003	-0.65	0	0						
[10]	FSIZE	0.291***	0.065***	-0.006	0.050***	0.032*	0	0.081***	0.584***	0.401***	1				
		0	0	-0.766	-0.006	-0.081	-0.991	0	0	0					
[11]	FAGE	0.125***	-0.151***	-0.155***	-0.093***	-0.169***	-0.078***	-0.070***	0.182***	0.202***	0.142***	1			
		0	0	0	0	0	-0.002	-0.005	0	0	0				
[12]	ROA	0.018	0.019	0.013	0	0.025	-0.029	0.007	0.192***	0.095***	0.188***	0.084***	1		
		-0.323	-0.294	-0.499	-0.992	-0.173	-0.116	-0.688	0	0	0	-0.001			
[13]	LEV	-0.002	0	-0.004	0.001	-0.001	0.001	0.001	-0.007	0.005	0.002	-0.01	-0.037**	1	
		-0.914	-0.984	-0.839	-0.972	-0.936	-0.976	-0.963	-0.714	-0.775	-0.909	-0.696	-0.043		
[14]	LOSS	-0.018	0.005	0.027	0.015	0.017	0.018	-0.011	-0.148***	-0.063***	-0.183***	-0.061**	-0.635***	0.012	1
		-0.329	-0.782	-0.14	-0.411	-0.358	-0.323	-0.566	0	-0.001	0	-0.013	0	-0.528	

p-values in parentheses
* p < 0.1, ** p < 0.05, *** p < 0.01

seen, indicating that companies with larger boards tend to have higher-quality financial risk disclosure. The statistical significance confirms that these relationships are unlikely to occur by chance. Negative correlations, such as between company age (FAGE) and FRDQ, suggest that older companies may have lower-quality financial risk disclosure. This interpretation provides insights into factors influencing managerial decisions regarding financial risk disclosure.

Table 7. Regression Result Media Background Board to Financial Risk Disclosure

	(1)	(2)
	FRDQ	**FRDQ**
MBDN	-0.153*	
	(-1.94)	
MBD		-0.779*
		(-1.93)
BSIZE	0.226***	0.221***
	(4.90)	(4.79)
INCOM	0.020	0.026
	(0.14)	(0.18)
FSIZE	0.529***	0.525***
	(6.54)	(6.50)
FAGE	0.012**	0.012**
	(2.06)	(2.11)
ROA	-1.458	-1.417
	(-1.08)	(-1.04)
LEV2	-0.007	-0.007
	(-0.51)	(-0.51)
LOSS	0.666**	0.677**
	(2.30)	(2.34)
_cons	8.611***	8.683***
	(10.73)	(10.82)
Industry FE	Yes	Yes
Year FE	Yes	Yes
r2_a	0.162	0.162
N	2940	2940

t statistics in parentheses
** p < 0.1, ** p < 0.05, *** p < 0.01*

Regression Analysis

The media background possessed by directors can indicate the capabilities and experiences of individuals serving on the board of directors in dealing with media with relatively wide coverage. They can leverage their skills and experience to manage the disclosure of financial risk information. The findings from OLS regression indicate a significant and negative relationship between the media background of directors and financial risk disclosure practices in this research sample. These results suggest that directors with a media background tend to disclose financial risks less or limit such disclosures for the company. Table 7 presents the results of the OLS regression, showing that the presence of directors with a media background (MBDN and MBD) has a significant negative relationship with the quality of financial risk disclosure (FRDQ) at the 10% level, indicating a 10% or lower likelihood that this relationship is by chance. Specifically, MBDN significantly negatively impacts Model (1) with coeff = -0.153 and t = -1.94, while MBD has a stronger negative influence on Model (2) with coeff = -0.779 and t = -1.93.

In Model (1), MBDN can be interpreted as follows: the more directors with a media background in a company, the lower the quality of financial risk disclosure tends to be. Similarly, in Model (2), MBD suggests that at least one director with a media background is also associated with a decrease in the quality of financial risk disclosure. From both results, it can be inferred that directors with a media background tend to disclose the company's financial risks to a lesser extent.

The regression analysis results are aligned with cognitive dissonance and consonance concepts in the Cognitive Dissonance Theory. In this context, members of the board of directors with a media background may experience cognitive dissonance between the transparency of financial risk disclosure (expected by stakeholders) and maintaining the company's positive image (desired by the company). To reduce dissonance, they tend to limit financial risk disclosure. Consequently, they attempt to maintain "consonance" or alignment between their actions (limiting risk disclosure) and their beliefs or attitudes (maintaining the company's positive image), even though this may not align with stakeholders' expectations or the transparency principles desired in corporate governance practices.

Another possible explanation is the lack of strong motivation to disclose financial risks, as there may be an as-

Table 8. Heckman Two Stage

	First Stage (1) MBDN	Second Stage (2) FRDQ	First Stage (3) MBD	Second Stage (4) FRDQ
MBDN		-0.153*		
		(-1.929)		
MEAN_MBDN	1.092			
	(1.573)			
MBD				-0.787*
				(-1.948)
MEAN_MBD			6.930**	
			(2.083)	
BSIZE	0.133***	0.052	0.134***	0.143
	(6.706)	(0.298)	(6.733)	(0.98)
INCOM	0.04	-0.026	0.042	0.006
	(0.636)	(-0.172)	(0.667)	(0.038)
FSIZE	-0.058*	0.607***	-0.058*	0.560***
	(-1.664)	(5.490)	(-1.661)	(5.448)
FAGE	-0.009***	0.023*	-0.009***	0.017
	(-2.887)	(1.869)	(-2.879)	(1.588)
ROA	-0.708	-0.515	-0.677	-1.006
	(-1.180)	(-0.320)	(-1.139)	(-0.664)
LEV	0.006	-0.015	0.006	-0.01
	(0.788)	(-0.970)	(0.796)	(-0.705)
LOSS	0.07	0.585*	0.077	0.639**
	(0.568)	(1.956)	(0.624)	(2.133)
MILLS		-1.604		-0.715
		(-1.017)		(-0.551)
_cons	-2.137***	12.322***	-2.310***	10.365***
	(-5.764)	-3.298	(-5.913)	-3.288
Industry FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
r2_p	0.16	0.176	0.161	0.175
F		13.658		13.66
N	2940	2940	2940	2940

t statistics in parentheses
** p < 0.1, ** p < 0.05, *** p < 0.01*

sumption that this information is unimportant to stakeholders or that the board of directors may not have sufficient knowledge and experience in risk management. However, beyond these reasons, what is most important to consider in the media is the company's image (Howard et al., 2021) and negative news (Okhmatovskiy & Shin, 2019).

One possible interpretation of the findings in this research is related to the quantity of financial risk disclosure and media appearances. It is reasonable to consider that disclosing all or too many financial risks would draw media attention and raise numerous questions. Based on the disclosed risks, stakeholders and the public may become suspicious about the company's financial health and performance (Carnegie et al., 2022). All these concerns also arise due to the potentially catastrophic domino effects of financial risks that could lead to global problems (Bufarwa et al., 2020; Farbotko, 2019; Gonidakis et al., 2020).

The expertise and experience in media can be used to filter out financial risks that are deemed worthy of disclosure to the public. It is not without reason, as maintaining social stability and minimizing panic during challenging times can be justified. In the context of corporate governance practices, the performance of the company and its board of directors often becomes the focus of media attention. Avoiding excessive or conspicuous financial

Table 9. Coarsened Exact Matching (CEM)

Panel A		
	RMC=0	**RMC=1**
All	2466	531
Matched	2278	517
Unmatched	188	14
Panel B		
	(1)	**(2)**
	FRDQ	**FRDQ**
MBDN	-0.179**	
	(-2.249)	
MBD		-0.848**
		(-2.047)
BSIZE	0.246***	0.239***
	(5.058)	(4.899)
INCOM	-0.187	-0.178
	(-1.189)	(-1.129)
FSIZE	0.651***	0.646***
	(7.557)	(7.513)
FAGE	0.002	0.002
	(0.267)	(0.325)
ROA	-2.218	-2.167
	(-1.541)	(-1.498)
LEV	-0.011	-0.011
	(-0.763)	(-0.763)
LOSS	0.729**	0.745**
	(2.290)	(2.334)
_cons	7.814***	7.903***
	(9.440)	(9.559)
Industry FE	Yes	Yes
Year FE	Yes	Yes
r2	0.191	0.191
r2_a	0.177	0.177
N	1345	1345

t statistics in parentheses
* p < 0.1, ** p < 0.05, *** p < 0.01

risk disclosure helps preserve the company's image in the media. It also prevents negative media responses and abnormal reactions from competitors or companies in the same industry. It allows the company to maintain a positive image even if things are not going well internally. Stakeholders, especially shareholders, may also perceive that nothing is wrong, which may be what the board of directors hoped for in order to receive bonuses or additional compensation. While this may sound uncomfortable, it reflects the practical reality summarized in the context of media through several previous studies referenced in this research (Ang et al., 2021; L. Bai et al., 2019; Blankespoor & deHaan, 2020; Howard et al., 2021; Kang & Kim, 2017; Okhmatovskiy & Shin, 2019; Vergne et al., 2018).

Furthermore, it can also be seen as aligned with the Indonesian context. The key point here is that the media plays a significant role in shaping public perceptions, including financial aspects and, more specifically, financial risk disclosure. High trust in the media results in the rapid formation of positive and negative perceptions based on how news is presented. It can directly impact the public's, investors', and other stakeholders' perception of a company's financial risks. Trust can influence how the public receives and interprets financial information, including a company's financial risk disclosure.

For instance, news about a company's financial stability can quickly boost investor confidence and affect investment decisions. In contrast, reports about potential financial risks a company may face can trigger concerns

Table 10. Additional Analysis- CEO, CFO, COO Media Background

	(1)	(2)	(3)
	FRDQ	**FRDQ**	**FRDQ**
CEO	-0.249		
	(-0.80)		
CFO		1.991***	
		(2.93)	
COO			-0.201
			(-0.75)
BSIZE	0.221***	0.218***	0.224***
	(4.76)	(4.73)	(4.81)
INCOM	0.022	0.101	0.021
	(0.15)	(0.70)	(0.14)
FSIZE	0.527***	0.457***	0.526***
	(6.52)	(5.81)	(6.51)
FAGE	0.012**	0.018***	0.013**
	(2.14)	(3.44)	(2.25)
ROA	-1.471	-1.892	-1.542
	(-1.08)	(-1.40)	(-1.14)
LEV	-0.007	-0.006	-0.006
	(-0.52)	(-0.47)	(-0.50)
LOSS	0.671**	0.563**	0.658**
	(2.32)	(1.96)	(2.27)
_cons	8.652***	9.362***	8.637***
	(10.79)	(12.04)	(10.77)
Industry FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
r2_a	0.161	0.158	0.161
N	2472	2496	2472

t statistics in parentheses
* p < 0.1, ** p < 0.05, *** p < 0.01

and withdrawals of investments. The connection between these conditions and the finding that directors with media backgrounds tend to disclose financial risks less can pose challenges. If the general public forms opinions quickly based on available information, the lack of transparency in financial risk disclosure by media background directors may lead to unnecessary uncertainty and speculation. Although it may sound ironic, this approach can be justified to maintain trust and market stability. However, it does not rule out the possibility that companies are working to find ways to mitigate or control risks, as risks may develop and even become uncontrollable.

Additionally, some of our control variables show positive coefficients. FSIZE (coeff = 0.556) and BSIZE (coeff = 0.226) indicate that larger companies with larger boards of directors, which may have more stakeholders, tend to have better financial risk disclosure. On the other hand, LOSS (coeff = 0.666) suggests that companies experiencing losses, and therefore under stakeholder scrutiny, may feel more compelled to increase transparency. Older companies (FAGE, coeff = 0.012) indicate that older companies tend to have better quality financial risk disclosure.

The important implication of this discussion is that financial risk disclosure must be done carefully. Disclosing too much can trigger panic reactions in the market and damage investor trust, while too little disclosure can lead to negative perceptions and accusations of lack of transparency. Balance is needed to maintain market integrity and ensure investors have sufficient information to make informed decisions. Financial risk disclosure should be done at the appropriate level and scope, providing an honest and accurate picture of a company's financial position without causing unnecessary concern or speculation in the market.

Robustness Test

The robustness tests in this study used Heckman Two Stage and Coarsened Exact Matching (CEM) to validate the findings. The results of both analyses are presented sequentially in Table 8 for Heckman Two Stage and

Table 9 for CEM. Heckman Two Stage was used to address the issue of selective selection. The two-stage Heckman test necessitates instrumental variables, which are variables associated with the suspected endogenous variable but independent of the dependent variable's error term. In this research, we utilize the instrumental variable MEAN_MBD, calculated as the industry's average MBD value multiplied by 100. In the first stage, this study examines the correlation between the instrumental variable MEAN_MBD and the independent variable using dummy variables. Next, hypothesis 1 is examined in the second stage of this study. However, in the second stage, MBDN shows a significant negative relationship with the quality of financial risk disclosure (FRDQ), indicating that an increase in the proportion of directors with media backgrounds potentially decreases the quality of risk disclosure. Company size (FSIZE) has a strong and significant positive effect on FRDQ in both stages, indicating that larger companies tend to have better risk disclosure. Furthermore, MILLS yields insignificant findings, suggesting that endogeneity concerns do not affect the association between MBDN, MBD, and FRDQ.

The CEM analysis was performed to address endogeneity issues and ensure the consistency of the model constructed in this study. Table 9 presents the results of the CEM analysis. The testing was done by dividing the control variables into three strata based on the characteristics of the independent variables. Panel A provides a summary of the observations made. It can be seen that 2,278 out of 2,466 observations come from companies with directors without a media background, while 517 out of 531 state otherwise. This division is intended to examine the treatment group of companies that fall within the sample of companies above and below the median value of company size. Panel B shows the CEM regression results, revealing a significant negative effect of directors' media background on financial risk disclosure. The results of both tests support the main analysis, indicating that the resilience tests strengthen the findings of the main analysis.

Additional Analysis

Finally, Table 10 presents additional analysis results by splitting the sample into subsamples of directors: CEO, CFO, and COO. The additional tests presented indicate that only the CFO (Chief Financial Officer) has a significant and positive impact on the quality of financial risk disclosure (FRDQ) at the 1% significance level (coeff = 1.991 and t = 2.93). The results suggest that CFOs with media communication skills may be more adept at articulating and presenting financial risk information to the public and investors, which is important for transparency and investor confidence. In Indonesia, it also helps shape the perception of the general public and stakeholders about the company's situation. With a media background, CFOs may better understand how the market can accept financial narratives and tend to use their expertise to craft and deliver more informative and easily understandable financial reports. On the other hand, CEOs and COOs with media backgrounds do not show a significant influence, indicating that their specific roles in management and direct influence on financial disclosure may differ among executive positions.

CONCLUSIONS

This study fills a gap in the corporate governance literature by examining the impact of the media background of directors on the financial risk disclosure practices of companies, particularly in the context of Indonesia, which heavily relies on social media as its primary source of information. The hypothesis proposed is supported by evidence in this study, with a negative direction of influence. In other words, the evidence in Indonesia suggests that members of the board of directors with a media background tend to disclose less financial risk. It may be aligned with cognitive dissonance and consonance concepts in the Cognitive Dissonance Theory.

One important note from the findings of this research is the significance of appropriate risk disclosure. Excessive or insufficient financial risk disclosure can have negative consequences, such as market uncertainty and unnecessary panic or speculation. Therefore, maintaining a balance in financial risk disclosure is crucial to ensure market integrity and investor trust.

This study's limitations include its exclusive focus on board director members with media backgrounds as the independent variable without considering other factors that influence financial risk disclosure. Future research should conduct more in-depth analyses, such as interviews with directors, to provide deeper insights to support the arguments in this study. Future research can also explore the impact of risk disclosure on company performance and investor responses.

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