The Effect of Liquidity, Quality of Productive Assets and Company Size on the Operational Risk Disclosure of Sharia Commercial Bank (Study on Sharia Banking in Indonesia)

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Abstract

In Indonesia, the growth of Islamic banks is very fast because the majority of the population is muslim so it has greater potential in developing the sharia banking industry. The development of sharia banking is now being seen by investors, regulators and other stakeholders as an alternative choice in addition to conventional banking products.This study aims to examine and review the effect of Liquidity, Quality of Productive Assets and Company Size on the Operational Risk Disclosure, case study at Sharia Banks in Indonesia. The sample used in this research uses purposive sample method with certain criteria for data analysis. Methods of multiple linear regression analysis using Eviews analysis tool for panel data processing.The result of testing with Eviews concluded that only the variable of the company size proxied with total asset have significant influence to operational risk disclosure while Liquidity variable proxied with FDR and Productive Asset Quality variable proxied with NPF have no effect to disclosure of bank operational risk.

Keywords: Liquidity, Quality of Productive Assets, Company Size and Operational Risk Disclosure.

1. Preliminary

The sharia financial sector is a rapidly growing sector that not only develop in Muslim countries but has also spread to non-Muslim countries. This is marked by the increasing number of emerging Islamic banks in Indonesia in particular and in other countries. In Indonesia, the growth of Islamic banks is very fast because the majority of the Muslim Indonesia population so it has greater potential in developing the sharia banking industry. The development of sharia banking is now being seen by investors, regulators and other stakeholders as an alternative choice in addition to conventional banking products. Data from The Indonesian Financial Services Authority (OJK) related to the development of sharia banks from the growing number of assets can be seen in the following graph:

Chart 1.1
The Development of Sharia Bank Assets
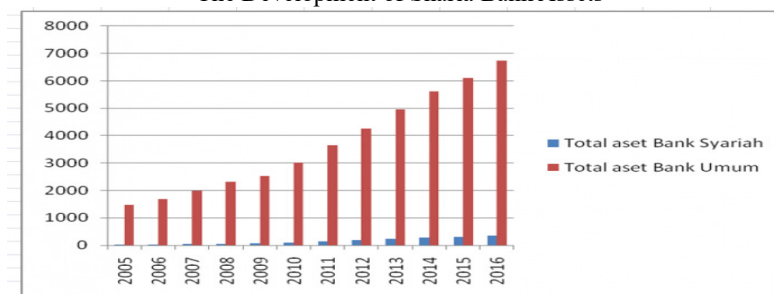
Source : OJK (the Indonesian Financial Service Authority)

The difference between the conventional bank operations with sharia banks lies in the activities of sharia banks, a financial system in which all financial transactions are conducted in accordance with sharia principles which is the legislative framework that regulates all aspects of life for Muslims (Bianone and Radwan, 2015). With regard to its function as a financial intermediary institution, sharia banks are always faced with risks, the development of the external and internal environment that rapidly increase results in the risk that sharia bank business activities increasingly become complex. The Regulation of the Financial Services Authority (OJK) Number 65 / POJK.03 / 2016 on the Implementation of Risk Management for Syariah Commercial Banks and Sharia Business Units states that there are eight risks the bank must manage, they are Credit Risk, Market Risk, Operational Risk, Liquidity Risk, Compliance Risk, Legal Risk, Reputation Risk, Strategic Risk, Investment Risk and Risk of Return. The Indonesian Financial Services Authority (OJK) declares that risk management is a set of methodologies and procedures used to identify, measure, monitor, and control risks arising from all

business activities of the Bank. Operational Risk is the risk of loss caused by inadequate internal processes, internal process failures, human error, system failure, and/or any external events affecting the bank's operations.

Bank Indonesia states that the essence of risk management is the adequacy of risk management procedures and methodologies so that the business activities of the bank remain under control at acceptable limit and benefit the bank. Implementation of risk management in banking becomes very important in creating a healthy and integrated banking industry. The role of risk management as a partner of the business unit in achieving the business target of the bank is becoming increasingly important so that the bank's business is run within the risk corridor that remains under control. Applying orderly risk management to each bank in turn will create an increasingly healthy industry. The rapidly expanding internal and external environments of banks are accompanied by increasingly complex bank business risks, demanding banks to apply risk management. Implementation of risk management in banks will increase shareholder value, provide an overview to bank managers regarding potential future losses, and improve bank competitiveness. Implementation of risk management for Bank Indonesia as the bank supervisory authority will facilitate the assessment of possible losses faced by banks that may affect bank capital.

The phenomenon of the fraud cases occurance in sharia banking that occurred in Bank Syariah Mandiri (www.tribunnews.com) is in the form of fictitious credit money laundering cases by manipulating a number of documents in the form of land certificate up to fake ID card, and not undergoing the proper banking procedures in applying for credit. The amount of losses to be borne is the result of errors resulting from their operational risk management practices. This marks the importance of the practice of operational risk management. Therefore, the implementation of risk management is absolutely necessary.

The implementation of risk management in sharia banks should be done because of the demands related to the performance of Islamic banks so that the risk in banking management can be minimized. In line with the development of Islamic banking today Islamic Financial Services Board (IFSB) which consists of central banks of Islamic countries including Indonesia issued sharia banking risk management standards that contain the provisions of capital and risk management standards for Islamic banks and other financial institutions internationally. As benchmarking, the provisions issued by The Basel Committee on Banking Supervision (BCBS), a committee established by the Bank for International Settlements (BIS) will also be used as a reference for sharia banks in applying the concept of risk management. Operational risk, as one of the main risks facing banks, is reflected in the Basel II framework which requires banks to identify, measure and manage these risks. In addition, the Basel Committee also requires banks to hold capital to face this risk. Hylmun (2011) argued that operational risk in Islamic banks tends to be more significant due to the concept of contract in every product issued. Operational risk inherent in all banking products, activities, processes and systems, and effective management of operational risks has always been a fundamental element of the bank's risk management program (Biancone, et.al, 2016).

IFSB in 2007 " Disclosures To Promote Transparency And Market Discipline For Institutions Offering Islamic Financial Services " is a standard of disclosure rules that should be performed by Sharia financial institutions around the world, whether it is related to system, control, mechanism, fulfillment of sharia and others . Further, qualitative and quantitative determination should also be done with the aim of creating the best standards in disclosure practices. Circular Letter of the Financial Services Authority No13 / SEOJK.03 / 2015 issues a regulation relating to the obligations of sharia commercial banks to take into account Risk Weighted Assets (Risk Weighted Assets) as part of its operational risk.

2. Review of Literature
2.1 Signaling Theory
The agency theory was developed in the 1970s, especially in the writings of Jensen and Meckling (1976) in a paper entitled "Theory of the firm: Managerial behavior, agency costs, and ownership structure". The signal according to Brigham and Houston (2006: 46) is an action taken by the company's management that gives investors clues about how management views the prospect of a company. The signal theory is based on the assumption that the information received by each party is not the same. Signal theory indicates the existence of information asymmetry between the management company and the parties concerned with the information. To that end, managers need to provide the information needed by the parties concerned with issuing financial statements. Information received by the investor first translated as a good signal (good news) or bad signal (bad news). The level of earnings reported by companies through the income statement can be translated into good signals as well as bad signals. If the profit reported by the firm increases then the information can be categorized as a good signal because it indicates good company condition. Conversely, if the reported profit decreases then the company is in bad condition so it is considered a bad signal.

2.2 Banking Risk Management
Banks, as institutions that have permission to do many activities, have a very wide opportunity in obtaining

income (income/return). In carrying out its activities, banking income is always faced with risks. Basically the risk is inherent in all bank activities (Idroes, 2008), for that, the bank needs to recognize the risks that may arise in running its business activities. Implementation of the concept of risk management was triggered by the economic crisis that hit Indonesia in early 1998. The number of potential risks faced and uncertainty aspects of banking business that is not managed properly before the economic crisis, the concept of risk management to be urgent and crucial began to receive special attention in the national banking community (Wilson Arafat, 2006). International Banking became the main focus, with the Basel Committee established by BIS (Bank International Settlement) in 1988, issuing capital requirements focused on assessing credit risk. Then in 1996 the Basel Capital Accord was amended to include an assessment of market risk. The Basel Accord is a set of banking regulations set up by the Basel Committee on Bank Supervision (BCBS). The rules of Basel which curretly consist of Basel I, II and III provide recommendations on banking regulations on capital risk, market risk and operational risk. In 1999, the Basel Committee launched a new capital standard policy known as the New Basel Accord (Basel Accord II) by amending the old provisions, in particular a more comprehensive assessment of credit risk and inclusion of operational risks. Furthermore, in 2001 the New Basel Accord launched three pillars of risk-oriented prudential principles. The three pillars are (Wilson Arafat, 2006):

Pillar 1   Minimum Capital Requirement, Basel II calculates capital requirements in accordance with bank risk profiles, and provides incentives for quality improvement in risk management practices in banking.

Pillar 2   Supervisory Review Process and referred to as the Individual Capital Adequacy Assessment Process (ICAAP) which will be a challenge for banks and supervisors. Supervisory competence and supervisory capacity is required supported by the regulatory control framework so that it can effectively assess the risks.

Pillar 3   Market Discipline, the implementation synergies of the three Pillars contained in Basel II above can not be separated in achieving a sound and stable banking industry and financial system.

In Basel III, The collapse of Lehman Brothers in 2008 followed by the global financial crisis became an alarm for the world's financial institutions. The collapse of Lehman Brothers shows weak risk management and government regulation, improper incentive structures and excessive banking industry influence. This regulatory framework is a continuation of the three pillars in Basel II with additional requirements and protections, including requiring banks to have a minimum of general equity and a minimum liquidity ratio.

2.3 Operational Risk of Sharia Bank

Marliana, Shahida and Abdul (2011) mentioned that sharia bank operations are substantially different from those of conventional banks. This has implications for the emergence of different risk profiles encountered before. IFSB (2005) in its document entitled "Guiding Principles of Risk Management for Intitutions Offering Only Islamic Financial Services" states that there are 6 risk categories contained in sharia financial institutions: credit risk, market risk, liquidity risk, interest rate risk and operational risk . The Basel Committee on Banking Supervision (BCBS) in Basel II defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people, systems or as a result of external problems Amr Mohammed (2011) mentioned that IFSB has adopted the same definition with several changes to meet the unique nature of sharia bank operations The operational risks defined by IFSB are as follows:

"the risk of resulting from inadequate or failed internal processes, people, and system or from external events, which includes but is not limited to, legal risk and Shari"ah compliance risks. This definition excludes strategic and reputation risk. (IFSB 2005a)"

Archer and Abdullah (2007) in Marliana, Shahida and Abdul (2011) identify operational risks facing sharia banks can be divided into three categories:

1. Operational risks are consequently related to various bank activities and are similar for all financial intermediaries, whether or not syariah compliance. However, the nature of products based on financing assets in Islamic banks such as murabahah, salam, istishna "and ijarah can lead to various forms of operational risk in contracting and executing the products. The risk of compliance with sharia - is (a) potential risks related to non- adherence to sharia and principles in bank operations (b) further risks associated with the fiduciary responsibility of sharia banks as mudharib (entrepreneurs) against providers of funds in the form of mudharabah contracts in case of mistakes or omissions by mudharib. Then, funds invested by the fund provider become mudharib obligations.

2. Sharia compliance risk - is (a) potential risks relating to non-compliance to sharia and principles in bank operations (b) further risks associated with fiduciary responsibility of sharia banks as *mudharib* (entrepreneurs) to fund providers in the form of contracts *mudharabah* in case of error or omission by the *mudharib*. Then, funds invested by the fund provider become *mudharib* obligations.

3. Legal risks arise one of them (a) operational of sharia bank (b) problem of legal uncertainty in interpreting the implementation of sharia law.

2.4 The Disclosure of Risk Management

Abdul Rahman (2013) states that risk management disclosures in this context are related to information communication regarding corporate strategy, characteristics, operations and other external factors that have the potential to influence the expected. Transparency is reflected in Basel II in particular pillar 3 which encourages each bank to improve market discipline by disclosing all risk-related information to the public. Wilson Arafat (2006) adds that this third pillar aims to discipline banks through transparent information. Effective transparency is essential for assessing bank risk profile and capital adequacy position of each bank and establishing the responsibility of banking management in order to always exercise prudential principles on risk management beliefs charged to banks.

Roxana (2013) says that disclosure is an important tool designed to be used by shareholders and clients to assess operational risk. Related to disclosure, far before Islam has also given provision related to the importance of this disclosure. Maha (2016) stated that the main bank risk management is only covered for market risk and credit risk while less attention to operational risk, and no formal reporting required for operational risk. However, international and national authority bodies establish measures relating to the practice of operational risk management in general. This is a strategic step that should be supported by sharia banking in anticipation of the global business environment.

Bank Indonesia Regulation (No. 13/23 / Pbi / 2011 concerning Implementation of Risk Management for Sharia Commercial Banks and Sharia Business Units) Aspects of Performance Disclosure and Risk Management Policy Article 28 contains:

(1) Disclosure of Risk Management in the Bank's annual report as stipulated in a Bank Indonesia Regulation concerning Transparency of Bank Financial Condition must be adjusted to this Bank Indonesia Regulation.

(2) Disclosure as referred to in paragraph (1) shall at least include the performance of Risk Management and the direction of Risk Management policy.

(3) Risk Management Disclosures in the annual report as referred to in paragraph 1 for UUS are incorporated in the BUK annual report.

In the meantime, IFSB has formulated an alternative of the provisions of Basel II, automatically the syariah bank must be referred to IFSB. IFSB makes its own design related to risk management, transparency, supervision related to the characteristics of sharia banks. The standard of provision is not much different from that issued by Basel II, because basically the provisions of Basel II was used as benchmarking regulations made IFSB. Related to risk disclosure, in 2007 IFSB 4 issued a proposal entitled: Disclosure to Promote Transparency and Market Discipline for Institutions Offering Islamic Financial Services (Excluding Islamic Insurance (Takaful) Institutions and Islamic Mutual Funds). Under these provisions, all Islamic financial institutions are required to disclose general company information such as company profiles, boards of directors, shareholders, etc in their annual reports related to operational risk disclosures provided for in articles 57 & 58, in which every Islamic financial institution must make disclosures as explained in the table below:

Table 1 Operational Risk Disclosure according to IFSB

Qualitative Disclosure	1	Policies to incorporate operational risk measures into the management framework, for example, budgeting, target-setting, and performance review and compliance.
	2	Policies on processes; (a) to help track loss events and potential exposures; (b) to report these losses, indicators and scenarios on a regular basis; (c) to review the reports jointly by risk and line managers; and (d) to ensure Shari`ah compliance
	3	Policies on the loss mitigation process via contingency planning, business continuity planning, staff training and enhancement of internal controls, as well as business processes and infrastructures
Quantitative Disclosure	1	Disclosure of the RWA equivalent for Quantitative operational risk.
	2	Indicators of operational risk exposures, such as: • gross income; and • amount of Shari`ah non-compliant income

Source : IFSB

2.5 Liquidity

According to Kashmir (2004: 29), the notion of liquidity is the ratio to measure the ability of banks in fulfilling its short-term obligations at the time of billing. In other words, the bank can repay the disbursement of its

depositors' funds at the time of billing as well as to meet the demand for credit that has been submitted ".

Simorangkir (2004), liquidity is the ability of a bank to pay off obligations that can be liquidated or already matured.

The objectives of Liquidity Management are:
1. Maintain the liquidity position of the bank to always be in the position determined by the central bank.
2. Managing liquid tools to always meet all cash flow needs, including unexpected needs, such as a sudden withdrawal of a number of demand deposits or time deposits that have not matured.
3. As much as possible minimize the existence of idle funds.

The Financing Ratio to Deposit Ratio (FDR) is the ratio between financing provided by banks with third party funds successfully deployed by banks (Muhammad, 2005). How much financing is provided to the public or the customer, the bank must be able to compensate by immediately meeting the need for a recall of funds at any time by the depositor. FDR is defined as the ratio between the financing provided and the funds received by the bank. This FDR becomes one of the long-term liquidity ratios of banks. Kusumo (2008), a bank declared liquid is a bank capable of fulfilling its debt obligations, can repay all customer deposits, and can fulfill the loan request without suspension. Bank liquidity can be proxied with FDR (Financial Deposit Ratio). FDR illustrates how much sharia bank funds are released for financing. FDR is calculated from the ratio of total financing provided by banks with third party funds. Total financing is the financing provided to third parties but excludes credit to other banks. Third party funds mentioned are demand deposits, savings deposits, and time deposits (not including interbank) (Hesti, 2010). FDR can be formulated as follows:

$$FDR = \frac{the\ amount\ of\ financing\ disbursed}{funds\ received\ by\ bank} \times 100\%$$

2.6 The Quality of Productive Assets

Taswan (2006), earning assets are investments in bank funds in both rupiah and foreign currency in the form of credits, letters of treasury, inter-bank funding, inclusion, including commitments and contingencies on off-balance sheet transactions. Asset quality should always be monitored and analyzed by managers as they relate to banking survival rates. The quality of productive assets refers to the quality of assets facing financing risks due to financing activities and fund investments. The quality of productive assets is proxied with NPF (Non Performing Financing). NPF is a condition in which the customer is no longer able to pay part or all of its obligations to the bank as agreed before (Mudrajat & Suharjonoo, 2002). Non Performing Finance or non-performing loans (NPLs) is a financing that has problems with its return, it may be due to external factors of the customer or internal side of the bank itself (Siamat, 2005). From the above explanation, it can be concluded that problematic financing is a financing condition, where there is a major deviation in the repayment of financing which causes delays in return, while the total financing distributed by the bank. If not handled properly, then troubled financing is a source of potential loss for the bank.

Mahmoeddin (2010), the factors that cause problematic financing are divided into internal factors and external factors. The internal factors include financing policies that are too expansive, misappropriation of financing, bad faith, owners or managers and bank employees, weak administrative systems and supervision of financing, and weakness of financing information systems. While for external factors, among others, is the debtor business failure, the decline in economic activity, the unfair banking climate utilization by the debtor and the disaster that occurred in the business of the debtor/business activity. The formula for finding NPF is as follows:

$$NPF = \frac{the\ number\ of\ troubled\ financing}{total\ financing} \times 100\%$$

2.7 Company Size

Company size is expressed by total assets, the greater the total assets of the company, the larger the size of the company. Companies with large assets show that the company is relatively more stable and able to generate greater profits than companies with little or low total assets. Companies with relatively high performance will be seen by the public so that the company will report its financial condition with more careful, shows more informative information contained in it and more transparent. Therefore, the larger the size of a company, the higher profit quality it has. Asset is a resource owned or controlled by the company as a result of past events and from which some future economic benefits (s) can be expected to flow to the company. Measurement of the company size uses proxy:

$$Company\ Size = Ln\ Total\ Asset.$$

3. Research Methodology

This research is a causality research which is a research to test the influence of independent variable to dependent variable. Operationalization of variables for each variable consists of the dependent variable that is

the Operational Risk variable of the Bank, a risk of loss caused by the failure of internal processes, human and system, and by external events for which banks need to disclose their operational risks. The dependent variable in this study is risk management disclosure as measured by summing the total score of qualitative disclosure according to IFSB 4 and the total score of quantitative assessment. Bank will be assigned a value of 1 (one) if performing risk disclosure according to components determined by the IFSB either qualitative or quantitative divided with the number of items in the IFSB.

Independent variable consists of: Liquidity using proxy Financing Deposit Ratio is the ratio between financing provided by the bank with third party funds successfully deployed by the bank. The quality of Productive Assets using Non-performing Financing proxy is a financing that has not yet reached or fulfilled the desired target by the bank such as principal return financing or problematic share-sharing, financing that may pose a risk in the future, financing that needs special attention, doubtful and loss as well as the current class that is potentially delinquent in return (Feitthzal, 2007) and Company Size variables. Company size can be expressed by total equity, total sales or total assets, the greater the total assets of the company, the larger the size of the company. The measurement of company size uses Ln Total Asset proxy.

The population in this study is all sharia banking listed in Indonesia Stock Exchange (registered in BI). Sampling method used is purposive sampling that is taken based on criterion sampling during the period 2013 to 2016 and those which meet the criteria are as many as 12 banks. This research uses multiple regression model with panel data and Eviews analysis tool. Regression model used in this research is as follows:

$$PMR = \beta0 + \beta1Asset + \beta2FDR + \beta3NPF + \varepsilon i$$

4. Result and Discussion

4.1 Descriptive Statistics

Table 2 Descriptive Statistics

Stat descriptive

	PMR	ASSET	FDR	NPF
Mean	0.671875	3.748350	0.916290	0.031048
Median	0.670000	3.654725	0.919650	0.029500
Maximum	0.920000	4.805942	1.577700	0.179000
Minimum	0.500000	2.477755	0.394000	0.001000
Std. Dev.	0.105682	0.645583	0.231643	0.027396
Skewness	0.432534	-0.038603	0.681902	3.279704
Kurtosis	2.686369	2.547112	4.964140	18.82066
Jarque-Bera	1.693411	0.422371	11.43561	586.6385
Probability	0.428825	0.809719	0.003287	0.000000
Sum	32.25000	179.9208	43.98190	1.490300
Sum Sq. Dev.	0.524931	19.58857	2.521946	0.035276
Observations	48	48	48	48

Based on Table 2 above, the results of the descriptive test indicate that the disclosure of bank risk shows a maximum value of 0.92, a minimum value of 0.50 and a mean value of 0.67. From these results, it can be concluded that the average bank has made risk disclosure but there are some undisclosed criteria such as qualitative disclosure. The maximum value of the FDR variable indicates 1.577 and the minimum value of 0.39 reveals that the bank is financing from the third party funds used optimally. NPF variable shows maximal result 0,179 which mean that the maximum problem of bank credit is at level 17,9% so hopefully bank will be able to handle the problem loan that it does not harm bank.

4.2 Chow Test

Chow test is used to determine whether the regression model is better using the *Common Effect* or *Fixed Effect*. The hypothesis used in the Chow test is as follows:

H0: Regression using Common Effect model

H1: Regression using Fixed Effect model

If the probability value is less than 0.05 (5%) then the model used is Fixed Effect but if the probability value is greater than 0.05 (5%) then the model used is Common Effect. The test results are as follows:

Table 3. Chow Test

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	3.713803	(11,33)	0.0017
Cross-section Chi-square	38.666557	11	0.0001

Source : Processed Data

From Table 3, the Chow test shows that the probability value generated is 0.0001 or below 0.05, then the Fixed Effect model is considered more suitable to be used as regression model in this research.

4.3 Hausman Test

After the Chow test, it is then continued with Hausman test to determine whether the regression model is better using Fixed Effect or Random Effect. The hypothesis used in the Hausman test is as follows.

 H0: Regression using random effect model
 H1: Regression using fixed effect model

 If the probability value is greater than 0.05 (5%), then the model used is random effect but if the probability value is less than 0.05 (5%), then the model used is fixed effect (Gujarati & Porter, 2009). The result of Hausman test is if the suitable model is Fixed Effect then classic assumption test must be done, that is multicollinearity test, heteroscedasticity, normality test and autocorrelation test. Here is the result of Hausman test:

Table 4 Hausman test

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	8.981209	3	0.0295

Source: processed Data

 Table 4, Hausman's test results show that the probability value generated is 0.0295 less than 0.050 (5%). Looking at the result of the probability value, then Fixed Effect model is considered more suitable to be used as regression model in this research so it is necessary to do classical assumption test.

4.4 Classic Asumption Test
4.4.1 Normality Test

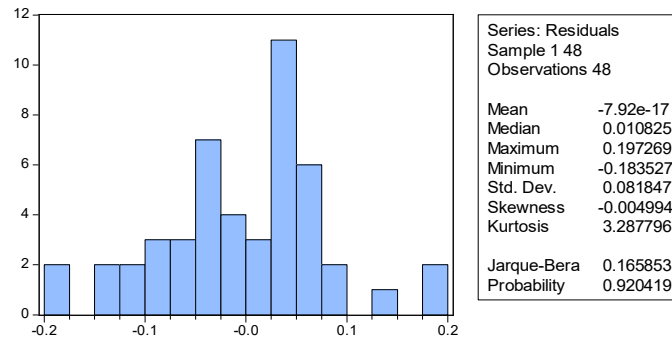|	Series: Residuals
	Sample 1 48
	Observations 48
Mean	-7.92e-17
Median	0.010825
Maximum	0.197269
Minimum	-0.183527
Std. Dev.	0.081847
Skewness	-0.004994
Kurtosis	3.287796
Jarque-Bera	0.165853
Probability	0.920419

Chart 2. Normality Test
Source: Processed Data

 From the results of normality data test, it can be concluded that Jarque Bera value of 0.1658 with a significant probability of 0.920 means that the residual is normally distributed.

4.4.2 Multicolinearity Test.

Table 5 Multicolinieity Test Correlation

	ASSET	FDR	NPF
ASSET	1.000000	-0.270707	0.150905
FDR	-0.270707	1.000000	0.067285
NPF	0.150905	0.067285	1.000000

Source: Processed Data

 From the results of data tests using correlation techniques between variables (Ghozali, 2013) there is no correlation between variables above 0.80. Thus, it can be concluded that there is no multicollinearity among variables.

4.4.3 Autocorrelation Test

Table 6 Autocorrelatin test

Dependent Variable: PMR
Method: Panel Least Squares
Date: 05/30/18   Time: 05:59
Sample: 2013 2016
Periods included: 4
Cross-sections included: 12
Total panel (balanced) observations: 48

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.247432	0.084612	2.924321	0.0062
ASSET	0.096387	0.016485	5.846931	0.0000
FDR	0.066632	0.047809	1.393700	0.1727
NPF	0.067584	0.383082	0.176421	0.8610

Effects Specification				

Cross-section fixed (dummy variables)

R-squared	0.731988	Mean dependent var	0.671875
Adjusted R-squared	0.618286	S.D. dependent var	0.105682
S.E. of regression	0.065294	Akaike info criterion	-2.369535
Sum squared resid	0.140688	Schwarz criterion	-1.784785
Log likelihood	71.86884	Hannan-Quinn criter.	-2.148557
F-statistic	6.437770	Durbin-Watson stat	1.830371
Prob(F-statistic)	0.000006		

Source: Processed Data

According to Ghozali (2013), the multicol detection for the above output which is seen from the results of the R square value is high enough, equal to 73.2%, then it can be said there is no multicollinearity happen. From the Durbin Watson value, it shows value of 1.8269. From the DW table, it is obtained the value *dl* 1.83572 and the value of du amounted to 1.86141. DW value of 1.8269 is still lower than the value dl (lower limit) so there is no autocorrelation.

4.4.4 Heteroscedasticity Test

Table 6 Glejser test

Heteroskedasticity Test: Glejser

F-statistic	0.561694	Prob. F(3,44)	0.6431
Obs*R-squared	1.770466	Prob. Chi-Square(3)	0.6214
Scaled explained SS	1.613126	Prob. Chi-Square(3)	0.6564

Source: Processed Data

The result of Glejser test shows Chi Square value above 0,05 so it can be concluded that there is no heteroscedasticity in the data.

4.4.5 Hypothesis Test

Table 7 Hypothesis Test

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Sum squared resid	0.140688	Schwarz criterion	-1.784785
Log likelihood	71.86884	Hannan-Quinn criter.	-2.148557
F-statistic	6.437770	Durbin-Watson stat	1.830371
Prob(F-statistic)	0.000006		

Source: Processed Data

The result of determinant coefficient test (R square) shows Adjusted R-squared value of 0.618. The result shows that the contribution of variable asset, FDR and NPF to PMR variable is equal to 61,8%. The remaining of 38.2% can be explained by other variables outside this study. F test is used to find out whether the model is feasible to be used in predicting the effect of independent variable on dependent variable, F value counted 6,4377 with significance level equal to 0.000 or significance level produced is less than 0,050. These results indicate that the regression model is said to be feasible for use in predicting the dependent variable. From T test, it can be seen that variable Asset has positive significant effect to PMR with significance value of 0,00 or under 0,05 while FDR and NPF variable have significant value of 0,17 and 0,86, since the value is above 0,05 meaning that the FDR and NPF variables have no significant effect on PMR.

4.6 Discussion

1. Assets affect the operational risk disclosure of bank which means the larger the size of the bank, the more important the effect it has on operational risk. This shows that banks with large assets have more complicated

business complexity. To that end, banks are required to increase the capability of both human resources and technology to minimize operational risk. This research is in line with Martinus Rosadi Nugroho (2012), Harri Baskoro (2015), and Homolya, Daniel (2011).

2. Liquidity and Quality of Productive Assets have no effect on the bank risk disclosure. This is because the bank has been regulated by the regulator and must report the condition. Although FDR is a measure of liquidity risk, this parameter can be used as a benchmark to determine the extent to which financing assets are provided by the bank. Aggressive banks providing financing have huge operational risk potential if the bank does not have enough procedures, human resources and technology. Similarly, the NPF, an indicator of the ability of banks in managing the quality of productive assets. The management of controlled NPF demonstrates the ability of banks to manage their assets to be more qualified and productive. Both parameters are very important for stakeholders, especially investors to know the health and management skills in managing the bank. Since both variables are core issues throughout the banking, OJK issues rules on Risk Management Implementation for Sharia Commercial Bank and Sharia Business Unit Number 65 / POJK.03 / 2016. All banks must comply with these regulations and disclose risks to each report. This research is not in line with the research of Anisa and Prastiwi (2011).

5. Conclusion

This study examines the effect of liquidity variables proxied with FDR, Productive Asset Quality proxied with NPF and company size against operational risk disclosure. Research shows that only company size variable has effect on the operational risk disclosure of bank. This means that the larger the size of the company proxied with asset, the higher operational risk it has.

The aggressiveness of financing is shown by the high low liquidity and asset quality by the NPF related to the bank sustainability rate. Therefore, banks must be regulated and supervised in their operations. Regulators regulate the implementation of risk management and disclosure to create market discipline. Risk Management Disclosures in the bank's annual report are set forth in the Financial Services Authority Regulation (OJK) on Transparency No. 6 / POJK.03 / 2015, on Transparency and Report Publication. Banks are required to disclose the NPF and FDR ratios regardless of the conditions in the financial statements. In this research, FDR and NPF have no effect on operational risk disclosure.

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