ABSTRACT

Deterioration due to the impact of the global economic crisis of 2008, requires banks to implement an integrated risk management and strengthen the corporate governance principles. Enterprise Risk Management has become a risk management framework that is widely used in the enterprise. In banking, ERM carried out in line with the principles of Basel. This study aimed to analyze the influence of the composition of the independent board, the size of the audit committee, and the size of the company towards the adoption of ERM and its differences in Indonesia and Malaysia which adopts a different board system. Samples of this study is 20 Indonesian banks and 7 malaysian banks that listed in Indonesia Stock Exchange and Malaysia Stock Exchange in 2009-2013. Method of data anlysis of this study is logistic regression and independent sample t-test. The result on Indonesian banking shows that company size are significantly affect on the adoption of ERM, while composition of independent board of commissioners and audit committee size did not significantly affect on the adoption of ERM. Result on Malaysian banking shows that composition of independent board of commissioners, audit committee size, and company size did not significantly affect on the adoption of ERM.

Keywords: ERM, Basel, banking, independent board of commissioners, audit committee, company size