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DETERMINANTS OF VOLUNTARY DISCLOSURE: EMPIRICAL ANALYSIS OF PUBLICLY LISTED ENTITIES IN INDONESIA

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ABSTRACT

This experimental research explored the association between corporate governance mechanisms and the quality of voluntary corporate disclosure. Corporate governance structures encompass the ownership structure, the effectiveness of the audit committee, and the quality of external auditors. The technique used for research is a quantitative methodology. The main emphasis of the study is the annual reports of public companies listed on the Indonesia Stock Exchange (IDX) between 2017 and 2021. In addition, the primary website of the stock market, www.idx.co.id, and issuer websites are reviewed for secondary data. The method of data analysis employed is panel regression analysis. Eight hundred seventeen firms from all sectors of the Indonesia Stock Exchange comprise the sample population generated by stratified sampling. The findings of this study indicate that the audit committee size and the company's age impact the voluntary disclosure of Indonesian issuers.

On the other hand, it has been established that the structure of foreign Ownership in Indonesia degrades the quality of voluntary disclosure. Also, research reveals that the audit quality of external auditors cannot consistently influence the company's information sharing. Therefore, this report provides an overview of the quality of voluntary disclosures by issuers in Indonesia. In addition, this study includes information on the drivers of voluntary disclosure that must be improved to increase stakeholders' competitiveness and trust.

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INTRODUCTION

According to Financial Services Authority Circular Letter No. 16/SEOJK.04/2021, financial information for publicly traded companies should be available following generally accepted accounting principles and applicable policies. Management should guarantee that the financial statements are presented fairly and free of mistakes that might be material (ACCA, 2017). The trustworthiness of financial statements is a crucial factor in increasing shareholder confidence (Barth et al., 2017; Lev, 2018). Furthermore, financial data can shed light on management's efficacy and efficiency in allocating company resources and provide a summary of the company's financial outlook. (Conceptual Framework for Financial Reporting, 2018). Investors' diminishing faith in the accuracy of financial information stems from fraud by Enron in 2001, Lehman Brothers in 2008, Worldcom in 2002, and other corporations (Modugu & Eboigbe, 2017).

Shi et al. (2017) suggested that agency theory may be used to show the link between management or corporate executives and shareholders. The notion of agency theory is a proposition that defines a relationship or contract between one or more, referred to as the principal with the agent. The owner, as the principal, gives part of the authorization or authority to carry out the work or service for him. Parker et al. (2018) argue that the difference in interests between management and company owners can increase the risk of information gaps. Company management can abuse the authority given to them for personal gain. In addition, agents' nature of opportunism can harm the owner's interests by manipulating the information disclosure source (Zogning, 2017).

Several publicly listed companies in Indonesia were involved in fraudulent financial statement cases, such as PT KAI (PT Kereta Api Indonesia), P.T. Kimia Farma Tbk., P.T. Garuda Indonesia Tbk., PT Asuransi Jiwasraya, PT Indofarma Tbk., PT Hanson International, and others (CNBC Indonesia, 2021). The fraudulent act violated the regulations of the Financial Services Authority Number 31/POJK.04/2015 relating to the obligation to disclose and submit material information.

The Financial Services Authority acts as a facilitator and regulator of the capital market in ensuring that public companies carry out their information disclosure obligations (OJK, 2020).

Corporate disclosure is not restricted to meeting the qualitative requirements and mandated disclosures (Elfeky, 2017; Vitolla et al., 2019). Enache and Hussainey (2019) state that higher transparent and adequate disclosure of the information is very beneficial, allowing users of financial statements to make allocation choices from many perspectives. Voluntary disclosure reflects information disclosure in sharing information such as product research and development, market share forecasts, financial forecasts, and other information not generally disclosed to the public. Mandatory disclosures are insufficient for shareholders or stakeholders to comprehend the Firm’s predicament (Charumathi & Ramesh, 2020). Therefore, the interest in providing additional voluntary information can increase the company's competitiveness and ensure transparency for each stakeholder (Scaltrito, 2016).

Neifar and Jarboui (2017) emphasize that public corporations must disclose more information voluntarily to explain the dangers, circumstances of industry rivalry, and technical advancements they confront. In addition, shareholders must evaluate the efficacy of the company's management approach in addressing every risk it faces. Finally, Awadallah (2017) expressed that public companies need to pay attention to non-financial indicators in information disclosure, which can affect the company's financial performance in the current and upcoming fiscal years.

Several researchers in Indonesia have also conducted recent studies about corporate disclosures. Research by Krismiaji and Surifah (2020) covered the implication of corporate governance and IFRS compliance level on the quality of financial disclosure. Hariyani et al. (2022) explored the influence of financial conditions, financial independence, and political conditions on financial disclosure quality. Another study by Verawaty et al. (2020) aimed to investigate the correlation between industry type, company size, profitability, and other drivers with the level of environmental disclosure. Studies by Pernamasari (2018) and Krismiaji and Grediani (2019) also examined the effects of corporate governance mechanisms on voluntary disclosures. These studies have showcased that various drivers, most notably corporate governance mechanisms, can affect the level of disclosures.

According to El-Diftar et al. (2017), various internal and external factors can drive the degree of voluntarily disclosed information. The characteristics of governance structures such as audit committees, directors, and ownership structures can encourage institutions to disclose comprehensive information voluntarily. Institutional investors have played a crucial role in promoting corporate information disclosure as a vital corporate governance tool. The company's share ownership factor can support the supervision of governance and management activities in carrying out business practices per applicable regulations.

Khlif and Samaha (2016) emphasize that by fostering honest and responsible disclosure of monetary and non-monetary information, the level of company ownership structure can eliminate agency conflicts between management and shareholders. Shareholding structure groups such as government, institutional, foreign, and directors ownership can show different preferences and motivations for company performance, growth, stability, risk, etc. The contribution of ownership structure to voluntary disclosure is also substantiated by Masum et al. (2020). The evidence indicates that different types of shareholder groups can encourage corporations to disclose strategic information under their respective economic incentive needs.

This research seeks to explore the efficacy of corporate governance measures in the form of audit committees and the competence of external auditors in promoting the degree of voluntary disclosure among Indonesian public firms. The individual's background often assesses the efficiency and effectiveness of the audit committee, the number of sessions conducted, the committee's commitment, and its independence, all of which can contribute to the quality of transparency of corporate financial information (Setiany et al., 2017). In addition, Ahmadi and Bouri (2019) researched that audit quality can encourage corporate compliance in disclosing information openly.

The audit committee acts as a supervisor and intermediary for the company's management and external auditors in reporting and disclosing company information. The audit committee also considers management's potential to override internal control and oversees management's fraud risk assessment process. Meanwhile, the external auditor is an independent and competent party in carrying out audit activities to prepare the organization's financial statements and the efficacy of its internal controls (Arens et al., 2017; KPMG, 2017).

In particular, concerning the audit committee's effectiveness, Kolsi (2017) explains that audit quality can influence voluntary disclosure. Audit quality is essential in disclosing information voluntarily as a form of company transparency. In addition, high audit quality can contribute to reducing the information gap between stakeholders (Hammami & Zadeh, 2020). According to the Financial Reporting Council (FRC), audit quality indicators can be ascertained by the capability of external auditors to perform sufficient audit processes. Audit quality indicators include public accounting firm size, auditor tenure, audit fees, and more (FRC, 2020).

Harris and Williams (2020) state that different sizes of public accounting firms, such as the Big Four and Non-Big Four, can explain differences in audit quality when viewed from the company's resources. Differences in the size of CPA firms can lead to significant differences in staff workload, experience, expertise, audit period, et cetera. In addition, (Gaver & Utke, 2019) argues that the Tenure of the external auditor can also measure audit quality. The increase in audit quality can occur along with the audit period in a corporation. According to Ghafran & O'Sullivan (2017), audit fees are essential in measuring and assessing the quality of external auditors. Audit fees are variable and adjust to risk, effort, and other factors. The level of audit demand and the size of the public accounting firm also influences high audit fees.

Based on the background mentioned above, more research is necessary to address the research gap concerning the influence of ownership structure, audit committee effectiveness, and audit quality on voluntary disclosure for businesses publicly listed in Indonesia between 2017 and 2021. Previous studies have analyzed the effect of corporate governance on voluntary disclosure. However, in research, only a few studies included the essential corporate governance mechanisms, such as ownership structure, audit committee characteristics, and audit quality. Therefore, the core emphasis of the study was to determine the impact of independent drivers, such as audit committee financial expertise, audit committee experience, audit committee size, audit committee independence, frequency of audit committee meetings, public accounting firm size, auditor tenure, and audit fees, on the degree of voluntary disclosure. This study also contributes to increasing the research on voluntary disclosure in Indonesia, where the studies were primarily conducted in other developing countries.

Hypothesis Development

Voluntary Disclosure Quality

Disclosure of firm information is not restricted to meeting the qualitative requirements and mandated disclosures. Enache and Hussainey (2019) state that transparent and adequate disclosure of information is very beneficial, allowing users of financial statements to make allocation choices from many perspectives. Voluntary disclosure reflects information disclosure in sharing information such as product research and development, market share forecasts, financial forecasts, and other information not generally disclosed to the public.

El-Diftar et al. (2017) defend that voluntary disclosure of monetary and non-mandatory facts can reflect publicly traded corporations' openness. The rate of voluntary transparency in the integrated report may be validated based on the extent to which strategic information, prospective and retrospective financial information, the function of corporate governance, and information regarding social responsibility are discussed. According to Ahmadi and Bouri (2019), voluntary disclosure includes information on employee remuneration, long-term strategies, short-term strategies, assumptions in making financial estimates, and research and development. Alfraih and

Almutawa (2017) explain that voluntary disclosure can explain the company's strategy, targets, and conditions in maintaining its business continuity.

Ownership Structure, Audit Committee Effectiveness, Audit Quality, and VDQ

According to Khlif et al. (2017), a government ownership structure has contributed significantly to the voluntary increase of corporate information openness. Institutions receiving state assistance must comply with all capital market requirements and boost information disclosure to the public. In addition, as a shareholder, the government urges corporations to publish non-financial information, such as social and environmental data, to improve general impressions. Kolsi (2017) explains that government-owned institutions give information willingly, unlike privately held institutions.

Research by Mgammal (2017) also demonstrates a positive and robust correlation between shares ownership by the state and voluntary disclosure. In Saudi Arabia, government-owned organizations have a greater level of voluntary disclosure than private institutions, which supports the findings of this study. Voluntary disclosure is made to mitigate the risk of agency costs and others. Ali et al. (2021) argue that the government has a strong influence in increasing the transparency of companies in order to fulfil public trust.

H_1: Government ownership significantly and positively influences voluntary disclosure.

Institutional Ownership significance is vital in overseeing the voluntary disclosure policies of public companies. First, institutional investors can increase the demand for corporate information disclosure if shareholder protection is weak in underdeveloped capital markets (Khlif et al., 2017). Second, institutional shareholders are often attentive to a company's compliance with mandated and voluntary disclosure requirements. Third, these institutions have a significant positive contribution to encouraging the level of transparency of public companies (El-Diftar et al., 2017). Studies confirm this view by Jankensgård (2018), demonstrating that voluntary disclosure has a substantial positive correlation.

Tran et al. (2021) explained that institutional shareholders have high expectations of public companies' information disclosure levels. This strong influence is based on the needs of shareholders in assessing and reviewing funding decisions. Ali et al. (2021) argue that institutional ownership substantially influences organizational decisions to disclose information voluntarily. Institutional shareholders are more focused on long-term incentives and prolonged company performance. Transparent reporting can demonstrate the company's credibility from the perspective of institutional shareholders.

H_2: Institutional ownership significantly and positively influences voluntary disclosure.

The connection between ownership structure by foreigners and voluntary disclosure also demonstrates the disparity between the findings of earlier scholars. The research of Saini and Singhania (2019) exhibits a statistically significant negative correlation between the ownership structure by foreign firms and voluntary disclosure. These results are based on the tendency of foreign investors to focus more on profit generation rather than voluntary disclosure initiatives. Tsang et al. (2019) argue that a decrease in the level of voluntary disclosure occurs when international investors are from nations with minimal securities legislation and information disclosure. Research from Uwuigbe et al. (2017) also shows a decrease in the degree of integrated disclosure that occurs in line with the increase in foreign share ownership. Singal and Putra (2019) explain that voluntary disclosure tends to increase if foreign shareholders from developed countries pay attention to social responsibility and concern for other social issues. Contrasting results can occur if investors come from countries with different regulatory complexities.

Widyastari and Sari (2018) explain that a substantial negative correlation between foreign ownership and transparency is caused by share ownership which domestic shareholders dominate. This anomaly can occur due to differences in expectations and attention to aspects of social issues by foreign and domestic investors. Other researchers, such as Wahyuningsih and Meiranto (2022), have also obtained negative results, which show the inability of foreign ownership structures to encourage voluntary increased disclosure of company information.

H_3: Foreign ownership significantly and negatively influences voluntary disclosure.

The structure of ownership of directors (managerial ownership) by directors and other executive officers is an indication that might impact the institution's voluntary disclosure policy. Research by Khlif et al. (2017) show that shareholders in the form of directors can have negative and substantial consequences on the level of revelation of relevant information. As a result, the board of directors can support this argument by Sarhan and Ntim (2019). They explain that firms with low share ownership of directors are likelier to carry out voluntary disclosure policies. In addition, Qa’dan and Suwaidan (2019) support this argument because the shareholders of the board of directors can quickly obtain internal information without the need to publish certain corporate information voluntarily.

H_4: Director ownership significantly and negatively influences voluntary disclosure.

Research conducted by Agyei-Mensah (2018) exemplifies that public firms with audit committee members with a skillset in accounting and finance may significantly improve their disclosure practices. This result is also compatible with the findings of Salehi and Shirazi (2016), which reveal that the audit committee's efficiency may influence and contribute to the disclosure of corporate information. Alzeban (2020) argues that the financial knowledge of audit committee members is a suitable proxy for gauging the audit committee's performance. As a driver of corporate governance, the audit committee can affect the process and outcomes of reporting and disclosure of company information. Research from Kusnadi et al. (2016) indicates that audit committee members' accounting and financial knowledge may promote the quality of company reporting with proper oversight.

H_5: Audit committee financial expertise significantly and positively influences voluntary disclosure.

Agyei-Mensah (2018) explains that publicly listed firms with experienced audit committee members in the same position can increase company information disclosure open. The audit committee's experience in this field contributes to increasing information disclosure by public companies. The experience of audit committee members in other public companies can also influence the policy of carrying out obligations more effectively. Alzeban's (2020) research demonstrates that including skilled audit committee members can promote voluntary disclosure, boosting investor trust.

Salehi and Shirazi (2016) clearly link audit committee experience and public companies’ integrated reporting. The experience of audit committee members contributes to the company's ability to increase voluntary disclosure and compete with other public corporations. Furthermore, Zgarni et al. (2016) explained that the audit committee's experience and background can encourage voluntary disclosure in mitigating the risk of fraud.

H_6: Audit committee experience significantly influences voluntary disclosure.

Bananuka et al. (2019) indicate that the effectiveness of an audit committee may be determined by its financial competence, proper committee size, and accounting or finance experience. In addition, the audit committee must include more than two independent members capable of performing their tasks. The audit committee's responsibility is to guarantee that the corporation engages in transparent reporting and information sharing. Musallam (2018) claims that the variety of the audit committee can assist diverse committee members' backgrounds in their supervisory tasks regarding corporate information reporting. This study demonstrates a substantial positive correlation between the total of committee members and general businesses' disclosure of voluntary information. Furthermore, Mohammadi et al. (2021) discovered a remarkable positive correlation between the total audit committee members, improved reporting quality, and the disclosure of additional non-financial information.

H_7: Audit committee size significantly and positively influences voluntary disclosure.

The evaluation of the audit committee's efficacy includes considering the committee's independence. Based on research from Talpur et al. (2018), an independent audit committee plays a crucially positive function in disclosing firm information to the general public. Following agency theory, Salem et al. (2019) also obtained the same results, showing that an independent audit committee is essential in influencing information disclosure. Additionally, research with statistically significant beneficial outcomes on the dependent variable was undertaken by Agyei-Mensah (2018), Alzeban (2020), Ashfaq and Zhang (2019), Hasan et al. (2020), Masmoudi (2021), Purnomo and Bernawati (2020), Raimo et al. (2020), Salehi and Shirazi (2016), Setiany et al. (2017), and Zgarni et al. (2016).

H_8: Audit committee independence significantly and positively influences voluntary disclosure.

Typically, the actions of the audit committee are assessed by the number of meetings held to oversee and manage the reporting and disclosure of the company's information. A significantly positive relationship exists between the frequency of audit committee sessions and the extent of business disclosure of information that might improve audit quality (Masmoudi, 2021). Research from Appuhami and Tashakor (2017) noted that the frequency of audit committee meetings could alter the information disclosure levels of public corporations. A regularly meeting audit committee can uncover any inconsistencies in the reporting and disseminating of business information. Haji and Anifowose (2016) also show that the frequency of committee sessions substantially impacts the effectiveness of corporations' disclosure efforts.

H_9: Audit committee meeting frequency significantly and positively influences voluntary disclosure.

The size of a public accounting firm can be viewed from the income level of audit and assurance services. The four auditor offices with an enormous scale usually referred to as the Big Four, are always associated with a reputation for quality and guaranteed audit quality. The asymmetry of corporate information between stakeholders and management can be achieved better with a quality audit by a public accounting firm (Ahmadi & Bouri, 2019). Research from Elfeky (2017) concludes that the size of a public accounting firm as a proxy for audit quality has a significant positive correlation with company information disclosure. Scaltrito (2016) also states that company management is usually more willing to disclose adequate information per engagement agreements with external auditors from Big Four accounting firms.

H_{10}: Audit firm size significantly and positively influences voluntary disclosure.

A study by Zgarni et al. (2016) demonstrates that auditor tenure favours information disclosure considerably. A rise in audit quality might correspond with the auditor's Tenure auditing the Firm's financial statements. Setiany et al. (2017) also examine that auditor tenure positively affects the quality level of disclosure of public company information. Alhjaj et al. (2018) explain that the signing partner’s Tenure considerably benefits voluntary disclosure. External auditors can encourage companies to disclose non-financial indicators such as risks and mitigation actions and extend their Tenure. Legoria et al. (2018) also explain that the auditor can provide responses and recommendations regarding necessary disclosures along with his Tenure.

H_{11}: Auditor tenure significantly and positively influences voluntary disclosure.

The audit fee is vital and substantially impacts the audit quality and financial reporting. It is necessary to offset unreasonable audit costs not to impede the disclosure of firm information (Shakhatreh et al., 2020). Alzeban (2020) also indicates that the greater the audit costs, the greater the exposure to business information. Companies that spend substantial expenditures on audit services willingly provide business information (Legoria et al., 2018). A study analysis by Liu et al. (2018) exhibits that audit fees can encourage company disclosure in voluntarily disclosing information to predict company earnings (earnings forecast). Ji et al. (2018) also established a good correlation between audit fees and the disclosure of firm information. The disclosure of non-financial indicators, such as the company's internal control deficiencies, may be impacted by higher audit fees.

H_{12}: Audit fee is significantly and positively associated with voluntary disclosure.

RESEARCH METHODS

This study examines the annual publications of public firms in Indonesia from the fiscal year 2017 to 2021. The annual report of a publicly traded firm may be obtained at www.idx.co.id, the official website of the Indonesia Stock Exchange (IDX). There are 810 corporations whose shares are quoted on the Indonesia Stock Exchange as of September 2022. Moreover, 511 public companies were publicly listed on the Indonesia Stock Exchange before 2017. Consequently, 172 issuers meet the study's criteria, as determined by the purposive sampling method. The outcomes of the sample selection and the study's conclusions are displayed in the table below.

Table 1
Population and Sample

Description	Total
Companies listed on IDX before 2017	511 companies
Companies that do not fulfil the research criteria (do not publish annual reports regularly, inadequate information on research variables, websites inaccessible)	-339 companies
Number of samples	172 companies
Years of observation	Five years
Number of observations	860 data
Number of outliers	-43 data
Total final observations	817 data

The dependent variable of this study is the Voluntary Disclosure Quality (VDQ). The level of voluntary disclosure is measured by comparing the number of voluntary information items disclosed by the company with the maximum number of items in the index. This study uses a checklist of 56 initial criteria from El-Diftar et al. (2017) in measuring independent variables by adjusting to regulations according to the Decree of the Head of the Capital Market Supervisory Agency (BAPEPAM) Number: KEP-431/BL/2012. Measurement of the voluntary disclosure index using a checklist was also carried out by Scaltrito (2016), Alfraih and Almutawa (2017), Rouf (2017), Ahmadi and Bouri (2019), and other researchers.

The 56 criteria from the checklist encompass general, strategic, and forward-looking financial and non-financial items, as well as corporate governance and social responsibility information. The criteria classified as mandatory in the presentation of the annual report are 26 from the checklist, which includes required information, mainly about corporate objectives, strategy, financial history, management discussion, ratios, company profiles, etc. The total of the checklist after excluding the mandatory criteria is 30 criteria. Each criterion disclosed by the company is given a value of 1 (one) if it is within the scope of voluntary disclosure and a value of 0 if not per the criteria analysis.

Table 2
Measurement of Variables

Types of Variables	Variables	Formula	Source
Dependent	Voluntary Disclosure Quality (VDQ)	VDQ = number of items disclosed/maximum number of items in index x 100%	El-Diftar et al. (2017)
Independent	Government Ownership (GOVOWN)	GOVOWN = number of shares owned by the government/number of outstanding shares	El-Diftar et al. (2017)
	Institutional Ownership (INSTOWN)	INSTOWN = number of shares owned by institutional investors/number of outstanding shares	(El-Diftar et al., 2017)
	Foreign Ownership (FOREIGNOWN)	FOREIGNOWN = number of shares owned by foreign investors/number of outstanding shares	(El-Diftar et al., 2017)
	Director Ownership (DIRECTOROWN)	DIRECTOROWN = number of shares owned by directors/number of outstanding shares	(El-Diftar et al., 2017)
	Audit Committee Financial Expertise (ACFEXP)	ACFEXP= number of A.C. members with financial expertise/number of A.C. Members	(Agyei-Mensah, 2018)
	Audit Committee Experience (ACEXP)	ACEXP = 1 if experienced as audit committee before, 0 if experienced	(Agyei-Mensah, 2018)

	Audit Committee Size (ACSIZE)	ACSIZE = number of A.C. members	(Agyei-Mensah, 2018)
	Audit Committee Independence (ACIND)	ACIND = number of A.C. members	(Agyei-Mensah, 2018)
	Audit Committee Meeting Frequency (ACMEET)	ACMEET = number of annual audit committee meetings	(Agyei-Mensah, 2018)
	Audit Firm Size (BIG4)	BIG4 = 1 if Big 4 audit firms, 0 if non-Big four audit firms	(Agyei-Mensah, 2018)
	Auditor Tenure (TENURE)	TENURE = Tenure of signing audit partner	(Agyei-Mensah, 2018)
	Audit Fee (AUDFEE)	AUDFEE = natural logarithm of audit fee	(Agyei-Mensah, 2018)
Control	Board Size (B.S.)	B.S. = number of directors on the board	(Rouf, 2017)
	Firm Size (SIZE)	SIZE = natural logarithm of total assets	(Kolsi, 2017)
	Profitability (ROA)	ROA = net income/total assets	(Raimo et al., 2020)
	Leverage (LEV)	LEV = total liabilities/total assets	(Alfraih & Almutawa, 2017)
	Firm Age (AGE)	AGE = number of years since listing on the stock exchange	(Shan, 2019)

The independent variables tested for their impact on the dependent variable are ownership structures by government, institution, foreign investors, board directors, audit committee financial expertise, audit committee experience, audit committee size, independent audit committee, audit committee meeting frequency, size of the public accounting firm, auditor tenure, and audit fees. Controlled variables for influence include the number on the board of directors, the size of the Firm, the company's solvency, profitability, and age.

This study used a form of data analysis known as panel regression analysis. Using the cross-sectional and time series data, panel regression analyzes the association between dependent and independent variables. A descriptive statistical analysis, t-test, outlier test, Hausman and Chow model selection test, and coefficient of determination test were used to analyze the data (R^2). The descriptive and outlier tests were generated with SPSS, while other tests were analyzed using the EViews. The equation for panel regression is obtained as follows:

$$VDQ = \alpha + \beta_1 GOVOWN + \beta_2 INSTOWN + \beta_3 FOREIGNOWN + \beta_4 DIRECTOROWN + \beta_5 ACFEXP + \beta_6 ACEXP + \beta_7 ACSIZE + \beta_8 ACIND + \beta_9 ACMEET + \beta_{10} BIG4 + \beta_{11} TENURE + \beta_{12} AUDFEE + \beta_{13} BS + \beta_{14} SIZE + \beta_{15} ROA + \beta_{16} LEV + \beta_{17} AGE + e$$

Description:

α = Constant
VDQ = Voluntary Disclosure Quality
GOVOWN = Government Ownership

INSTOWN = Institutional Ownership
FOREIGNOWN = Foreign ownership
DIRECTOROWN = Director Ownership
ACFEXP = A.C. Financial Expertise
ACEXP = A.C. Experience
ACSIZE = AC Size
ACIND = A.C. Independence
ACMEET = A.C. Meeting Frequency
BIG4 = Audit Firm Size
TENURE = Auditor Tenure
AUDFEE = Audit Fee
BS = Board Size
Size = Firm Size
ROA = Profitability
LEV = Leverage
AGE = Firm Age
e = *error*

RESULTS AND DISCUSSION

The overall amount of processed study data was 860, and the number of outliers was 43, resulting in a final sample size of 817. This section presents a descriptive statistical analysis of the research data:

Table 3
Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
VDQ	817	0,400000	1,000000	0,747287	0,134142
GOVOWN	817	0,000000	0,900252	0,094692	0,230481
IN TOWN	817	0,000261	1,000000	0,826366	0,203822
FOREIGNOWN	817	0,000000	0,998488	0,308876	0,311097
DIRECTOR ON	817	0,000000	0,942132	0,050118	0,145321
ACFEXP	817	0,250000	1,000000	0,795846	0,215320
ACSIZE	817	2,000000	8,000000	3,313341	0,781044
ACID	817	0,000000	0,800000	0,606757	0,119961
ACMEET	817	0,000000	73,000000	8,823011	8,109572
TENURE	817	1,000000	3,000000	1,694002	0,768163
AUDFEE	817	17,660325	24,980154	20,823477	1,162465
BS	817	2,000000	14,000000	5,544676	2,320682

SIZE	817	24,565457	35,084358	29,867008	1,788648
ROA	817	-0,582526	0,920997	0,031914	0,106328
LEV	817	0,048031	2,010873	0,560185	0,267776
AGE	817	1,000000	40,000000	17,429621	9,687659

Source: Secondary Data Processed, 2022

According to the descriptive statistical test's findings in Table 3, the lowest level of voluntary disclosure is forty per cent. Comparatively, the most remarkable rate of voluntary disclosure is one hundred per cent. In 2018-2019, PT Pelayaran Nelly Dwi Putri Tbk had the lowest amount of voluntary disclosure, followed by PT Paninvest Tbk in 2018 and PT Mitra Energi Persada Tbk in 2021. In contrast, P.T. Wijaya Karya Beton Tbk had the most significant degree of voluntary disclosure in 2017 and 2018, P.T. Bank Negara Indonesia (Persero) Tbk in 2019, and P.T. Bank CIMB Niaga Tbk in 2021.

The average voluntary disclosure rate for Indonesian public firms is 74.73 per cent. This finding indicates that public firms in Indonesia tend to publish integrated information in their annual reports in addition to the required information. Therefore, increased voluntary disclosure by publicly traded firms in Indonesia implies good corporate transparency and information sharing. However, the standard deviation is 0.134142, which indicates that the values vary from the mean by 17.95 per cent.

Government ownership shows the lowest percentage of share ownership at 0.00% and the highest at 90.02%. The average share ownership by the government in a public company is 9.47%. The standard deviation is 0.230481, which is 243.4% of the mean. Institutional ownership shows the lowest percentage, 0.026%, and the highest ownership, 100%. Institutional ownership has an average of 82.64% of the total sample data. The standard deviation is 0.203822, which is 24.66% of the mean.

The lowest percentage of foreign stockholders was 0.00 per cent, while the largest was 99.85 per cent. The average percentage of foreign ownership in public enterprises is 30,89 per cent. The standard deviation is 0.311097% of the mean or 100.72 per cent. The ownership structure of the board of directors has the lowest share ownership fraction at 0% and the greatest at 94.21 per cent. The standard deviation is 0.145321, which represents 289.96% of the mean.

Regarding the audit committee's financial knowledge, the proportion of members with the lowest financial or accounting experience is 25 per cent, the maximum is 100 per cent, and the average is 79.58 per cent. These statistics suggest that all publicly traded businesses in Indonesia have adopted the Financial Services Authority (OJK) requirements for an audit committee consisting of at least one person with financial competence among all committee members. In addition, the average financial expertise of audit committee members in Indonesia exceeds 50 per cent, showing that most committee members have financial knowledge and competence. The standard deviation is 0.215320, showing minimal data variance, 27.06 per cent of the mean.

There must be three members on the audit committee, including one independent commissioner and two professional members from outside the issuer. According to the chart, the audit committee can have a minimum of two members and a maximum of eight. Consequently, public businesses in Indonesia have an average audit committee size of 3.31 members, demonstrating compliance with the appropriate audit committee requirements. The data's standard deviation is 0.781, corresponding to a departure of 23.59 per cent from the mean.

The independent audit committee measures the proportion of members outside the issuer who are not independent commissioners. For instance, if a corporation has a three-member audit committee with at least one independent commissioner, the other two must be external specialists. Therefore, the corporation must fill 33.33 per cent of the audit committee with the lowest proportion of independent professional members.

According to the statistics shown above, the lowest fraction of independent audit committees is 0%, indicating that there exist audit committees that lack independent professional members other than independent commissioners. The proportion of independent audit committees has a maximum value of 80%, indicating the company's audit committee consists of 4 professional members from 5 audit committee members, including independent commissioners. The average proportion of independent audit committees is 60.68%. The standard deviation is 0.121609, which is 20.04% of the mean.

The audit committee must hold a minimum of four meetings per year. The encounters with the lowest frequency are zero yearly, while the number with the most significant frequency is 73. Due to simultaneous meetings with external auditors, internal auditors, directors, and other stakeholders, corporations might convene audit committee meetings often. In a typical year, 8.82 meetings are held by publicly traded businesses. The standard deviation of the data is 8.1096 or 91.94 per cent of the mean, indicating a significant degree of variance.

According to applicable regulations, the auditor's most extended term of office is three years for accountants who sign an audit agreement with the company. Based on the table, the term of office with the shortest period is one year, and the most prolonged period is three years. The average Tenure of auditors is 1.69 years. Therefore, the auditor's term of office for a public company in Indonesia has complied with applicable regulations by not passing the term of office for three consecutive years. The standard deviation is 0.768, which is 45.44% of the mean.

Audit fees are determined by the natural logarithm of the total audit fees incurred by the organization during the current accounting period. The lowest audit fee result is 17.66, while the highest audit fee result is 24.98. The average cost of an audit is $20.82. The standard deviation is 1.162465, or 5.58 percentage points from the mean. The board of directors must include at least two members and a maximum of 14 members. The average number of board directors of public firms in Indonesia is 5.54. The standard deviation is 2.321, which represents 41.89% of the mean.

The natural logarithm of total assets is the formula that measures company size in Indonesia. The minimum company size is 24.5654, while the maximum is 35.084358. Therefore, the average size of public companies in Indonesia is 29.87%. The standard deviation is 1.788648, which is 5.99% of the mean.

As measured by ROA (Return on Assets), profitability has a minimum value of -0.582526. The highest profitability is 0.920997 or 92.1%. The average profitability of public companies in Indonesia is 0.031914 or 3.19%. The standard deviation is 0.106328. The debt-to-assets ratio determines a company's solvency (Debt to Assets). The lowest solvency ratio is 4.8%, and the highest is 201.087%. The average solvency of publicly listed companies in Indonesia is 56.02%. The standard deviation is 0.267775. The company age with the shortest stock exchange listing period is one year, and the longest is 40 years. The average age of the company is 17.43 years.

Table 4
Dummy Variable Descriptive Statistics

Variable	Category	Frequency	Percentage
ACEXP	1 = Experienced	457	55,9%
	0 = Not experienced	360	44,1%
BIG4	1 = Big Four	400	49%
	0 = Non-Big Four	417	51%

Sumber: Secondary Data Processed, 2022

The results of statistical tests with nominal or dummy show that the majority of the audit committee includes at least one person with experience in audit committee roles at other firms, which is 457 data or equivalent to 55.9%. On the other hand, 44.1% of the total data, or 360 data, shows that the audit committee does not consist of members with experience in the same position.

The number of publicly listed companies in Indonesia audited by public accounting firms included in the Big Four is 400, equivalent to 49% of the total data. On the other hand, the number of companies audited by other public accounting firms is 417, equivalent to 51% of the total data. Based on these outcomes, it is clear that the number of companies audited by the Non-Big Four is more than Big Four.

Table 5
Samples Classified By IDX Industrial Sectors

No.	Sectors	Frequency	Percentage
1.	Basic Materials	112	13,71%
2.	Cyclical	53	6,49%
3.	Energy	108	13,22%
4.	Financials	188	23,01%
5.	Healthcare	35	4,28%
6.	Industrials	47	5,75%
7.	Infrastructures	73	8,94%
8.	Non-Cyclicals	93	11,38%
9.	Properties	70	8,57%
10.	Technology	15	1,84%
11.	Transportation	23	2,82%
Total samples		**817**	**100%**

Source: Secondary Data Processed, 2022

Based on the IDX industrial sector classification, accessible at https://www.idx.co.id/, Table 5 displays the number of samples examined for this study. Eleven primary industrial sectors include basic materials, cyclical, energy, financials, healthcare, industrials, infrastructures, non-cyclical properties, technology, and transportation. Based on the data presented in the table above, it is evident that the financials sector contributes the most significant proportion of the sample, 23.01%. On the contrary, the technological sector contributes the smallest proportion of samples, as much as 1,84%.

Table 6
Chow and Hausman Panel Regression Test

Variable	Result	Conclusion
Chow test (chi-square cross-section)	0.0000	Fixed Effect Model (FEM)
Hausman test (random cross-section)	0.0000	Fixed Effect Model (FEM)
Lagrange Test (breusch pagan both)	There is no need to test the Lagrange multiplier	

Source: Secondary Data Processed, 2022

The Chow test assessed which model between PLS and FEM was superior and most suitable. If the probability is less than 0.05, FEM is the superior model. Alternatively, the optimal model is PLS if the probability is more significant than 0.05. Based on table 5's test results, the probability is 0.000; hence the FEM model is the best according to the Chow test (Fixed Effects Model).

The Hausman test is necessary for selecting the optimal model between FEM (Fixed Effects Model) and REM (Random Effects Model). If the probability value is less than 0.05, FEM is the optimal model. If the probability value is more than 0.05, REM is the best model. The probability value is known to be 0.0061 based on table 5 findings of the Hausman test; hence the best model is FEM.

Table 7. Panel Regression Test Results

Variable	Regression Coefficient	t-Statistics	Probability	Conclusion
C	0.023423	0.086410	0.9312	
GOVOWN	0.070629	1.475741	0.1405	Not significant
IN TOWN	0.032801	1.356145	0.1755	Not significant
FOREIGNOWN	-0.0785910	-3.352343	0.0008	Significant negative
DIRECTOR ON	0.048674	1.271429	0.2040	Not significant
ACFEXP	-0.018339	-1.167889	0.2433	Not significant
ACEXP	-0.002215	-0.302639	0.7623	Not significant
ACSIZE	0.008190	1.996080	0.0464	Significant positive
ACID	0.020901	0.805542	0.4208	Not significant
ACMEET	-0.000556	-1.142517	0.2537	Not significant
BIG4	-0.005686	-0.511023	0.6095	Not significant
TENURE	-0.000177	-0.079519	0.9366	Not significant
AUDFEE	0.002552	0.393966	0.6937	Not significant
BS	0.001897	0.831796	0.4058	Not significant
SIZE	0.016551	1.892878	0.0588	Not significant
ROA	-0.008217	-0.314088	0.7536	Not significant
LEVERAGE	-0.007184	-0.400024	0.6893	Not significant
AGE	0.008160	6.396988	0.0000	Significant positive
R-squared	0.914433	Mean dependent var	0.747287	
Adjusted R-Squared	0.888640	S.D. dependent var	0.134142	
S.E. of regression	0.044764	Akaike info criterion	-3.174402	
Sum squared resid	1.256392	Schwarz criterion	-2.080067	
Log-likelihood	1486.743	Hannan-Quinn criteria	-2.754426	
F-statistic	35.45292	Durbin-Watson stat	1.834262	
Prob (F-statistic)	0.000000			

Source: Secondary Data Processed, 2022

The F-statistic test result indicates that the probability value is 0.000000. The independent variable influences the dependent variable concurrently if the probability value is less than 0.05. If the probability value is more than 0.05, it is evident that the independent variable does not influence the dependent variable simultaneously. According to table 7, the coefficient of determination test's independent variable in the research model can explain 88.86% of the dependent variable. 11.14 per cent of the dependent variable may be explained by independent variables not included in the study model, according to these findings.

Considering the given test findings, the regression equation for each variable is as follows:

VDQ = 0.023423 + 0.070629GOVOWN + 0.032801INSTOWN – 0.078591FOREIGNOWN + 0.048674DIRECTOROWN – 0.018339ACFEXP - 0.002215ACEXP + 0.008190ACSIZE + 0.008190ACSIZE + 0.0204TENURE + 0.002552AUDFEE + 0.001897BS + 0.016551SIZE – 0.008217ROA – 0.007184LEV + 0.008160AGE + e

As one of the variables reflecting ownership structure, the chance of government ownership is 0.1405. Based on these findings, hypothesis 1 is refuted, as government ownership has no substantial effect on voluntary disclosure. Similarly, institutional ownership cannot demonstrate substantial effects on the degree of voluntary disclosure; hence, hypothesis 2 is rejected. This outcome has a probability greater than 0.05, which is 0.1755.

Foreign ownership becomes the only ownership structure variable proven to influence the dependent variable negatively. The likelihood is less than 0.05, or 0.0008, with a coefficient of -0.078591; hence hypothesis 3 is accepted. The ownership status of directors has little influence on the extent of voluntary corporate disclosure. The probability number 0.2040 is more than 0.05. Hence Hypothesis 4 is rejected.

The likelihood value for the independent variable of the audit committee's financial competence is 0.2433. Hence it can be stated that the financial expertise of the audit committee does not influence voluntary disclosure. Based on these findings, hypothesis 5 cannot be supported. In addition, the audit committee experience likelihood of 0.7623 demonstrates that there is no substantial correlation between audit committee experience and voluntary disclosure. Therefore, hypothesis 6 cannot be supported.

The probability value of 0.0464 indicates that the independent variable of audit committee size has a considerable positive influence on voluntary disclosure. Consequently, hypothesis 7 is supported. In contrast, the independent variable in the form of an independent audit committee demonstrates a probability of 0.4208, therefore refuting hypothesis 8. This output explains that voluntary disclosure has no meaningful link.

The frequency of audit committee sessions indicates a likelihood greater than 0.05 or 0.2537. Based on these findings, hypothesis 9 is rejected as there is no correlation between the number of audit committee meetings per year and the degree of voluntary disclosure. In addition, the size of the public accounting company, which consisted of Big Four and non-Big Four audit firms, had no impact on voluntary disclosure because the likelihood number was more than 0.05, i.e., 0.6095 with a coefficient of -0.005686. Consequently, hypothesis 10 is refuted.

The term of the auditor (signing partner) responsible for auditing operations throughout the relevant period has no real consequences on the rate of non-mandatory disclosure. Because the likelihood is 0.9366, these statistics show that hypothesis 11 cannot be supported. Furthermore, the likelihood of audit fees, represented by the natural logarithm of the total charges incurred by the audit company for audit services during the current period, is 0.6937. Based on these findings, it is possible to infer those audit fees have no significant impact on voluntary disclosure; hence, hypothesis 12 is rejected.

According to the findings of the t-test, the Firm's age is the control variable that can demonstrate a positive correlation with voluntary disclosure. The Firm's age indicates a likelihood of 0.0000, less than 0.05. The importance of the other control variables, including board size, business size, profitability, and leverage, cannot be demonstrated with a probability greater than 0.05.

This study shows that government ownership is not an ownership structure factor that can encourage the quality of voluntary disclosure in public companies. Similar results were also found by academics such as Habbash et al. (2016), Sepasi et al. (2016), Alnabsha et al. (2018), Shan (2019), Amosh and Mansor (2020), and Tran et al. (2021). Amish and Mansor (2020) explain that these results show that the government does not pressure companies to disclose information voluntarily if mandatory disclosures are met. In addition, companies are less motivated to increase information disclosure due to the lack of need for external funding other than the government.

Several other studies also prove the absence of a significant element of institutional ownership in research. The study by Bani-Khalid et al. (2017), Alnabsha et al. (2018), Amosh and Mansor (2020), and Masum et al. (2020) shows that institutional ownership is not able to influence the tendency of companies to disclose voluntarily. Institutional shareholders generally have different and inconsistent preferences and expectations regarding the disclosure of company information. Therefore, the proportion of institutional shareholders cannot consistently influence the increase in voluntary disclosure in Indonesia.

Foreign ownership is the only structural factor affecting voluntary disclosure significantly and negatively. Research with similar results was also obtained by Uwuigbe et al. (2017), Saini dan Singhania (2019), Singal dan Putra (2019), and Tsang et al. (2019). According to Tsang et al. (2019), the low rate of voluntary disclosure could be attributed to diverse shareholder backgrounds. The researcher explains that shareholders who come from countries with low information disclosure and securities regulations can reduce the level of voluntary disclosure.

Several other studies by Bani-Khalid et al. (2017), Alnabsha et al. (2018), Amosh and Mansor (2020), Masum et al. (2020), and Tran et al. (2021) also conclude that the ownership of the board of directors has no significant effect on voluntary disclosure. According to Amosh & Mansor (2020), the insignificant relationship was caused by the directors not effectively paying attention to the review and improvement of voluntary disclosures. In addition, directors generally only focus on fulfilling mandatory information disclosures.

The results demonstrated that the audit committee's experience in accounting and finance did not impact voluntary disclosure. Nonetheless, also observed were negligible findings by previous researchers such as Alfraih and Almutawa (2017), Dias et al. (2017), Katmon and Farooque (2017), Raimo et al. (2020), and Setiany et al. (2017). In addition, Haji and Anifowose (2016) argue that there is no association between the audit committee's financial expertise and voluntary disclosure because the audit committee also requires members from diverse backgrounds and knowledge other than accounting and finance.

Insignificant results from the audit committee's experience with voluntary disclosure were also found by researchers such as Alfraih and Almutawa (2017), Dias et al. (2017), Raimo et al. (2020), and Setiany et al. (2017). However, this means that the audit committee's effectiveness cannot be measured by the experience and educational background of the audit committee because it cannot influence the level of voluntary and integrated reporting.

Research shows that the size of the audit committee is the sole factor in the effectiveness of the audit committee that can encourage the quality of voluntary disclosure in the company. Similar results were also found by Appuhami and Tashakor (2017), Agyei-Mensah (2018), Musallam (2018), Ashfaq and Zhang (2019), Bananuka et al. (2019), Lawati et al. (2021), and Mohammadi et al. (2021). These pieces of evidence prove the significant and positive effect of the size of the audit committee. Therefore, the size of the audit committee of various backgrounds can ensure that the company adequately implements a voluntary disclosure policy.

An audit committee with a proportion of independent professional members did not prove significant in ensuring the quality of voluntary disclosure. Insignificant results were also obtained by other researchers such as Alfraih and Almutawa (2017), Bananuka et al. (2019), Dias et al. (2017), Ernawati and Aryani (2019), and Krismiaji and Grediani (2019). Dias et al. (2017) argue in their research that the presence of the audit committee does not play a significant role in the level of company information disclosure. There is no correlation between an independent audit committee and an increase or decrease in the disclosure of business information.

Audit committee meetings do not enhance the voluntary disclosure level of public corporations. Findings with similar results were also found by Dias et al. (2017), Ernawati and Aryani (2019), and Krismiaji and Grediani (2019). Bananuka et al. (2019) explained that this happened because the audit committee meeting was only a formality where committee members generally approved the financial statements without further recommendations. Furthermore, at the audit committee meeting, the committee ensures that the financial statements have been correctly produced and that the audit process can function smoothly. In addition, it is not the obligation of the audit committee to encourage voluntary disclosure of material other than required disclosures.

Regarding the degree of voluntary disclosure, the size of the Big Four and non-Big Four accounting firms proved inconsequential. However, insignificant results were also obtained by Maskati and Hamdan (2017), Rep et al. (2019), and Saraswati et al. (2020). The main reason is that stakeholders or information users do not discriminate between audit services provided by Big Four public accounting firms or non-Big Four. Therefore, the ability of public accounting firms is relative to encouraging the board of directors' decisions to make voluntary disclosures.

The auditor's Tenure cannot be used as a determinant of voluntary disclosure because of its inability to influence the company's voluntary disclosure. However, insignificant results on the effect of auditor tenure on the level of corporate information disclosure were also obtained by several other researchers, such as Agyei-Mensah (2018) and Salehi et al. (2017). The size of the Big Four and non-Big Four accounting firms has little impact on the degree of voluntary disclosure.

Like other audit quality factors, audit fees cannot encourage public companies to disclose information voluntarily. Nevertheless, insignificant results were also obtained and other researchers, such as Salehi et al. (2017), Agyei-Mensah (2018), and Reid et al. (2019). High audit fees reflect audit risk associated with non-financial indicators that are the auditor's responsibility in motivating the disclosure of company information. However, hefty audit costs do not ensure an increase in the quality of voluntary disclosure (Salehi et al., 2017).

Nevertheless, this study illustrates that the quantity of voluntary disclosure may increase with a company's age, as measured from the day it was initially listed on the public market. In addition, the size of the board of directors, the size of the Firm, profitability, and solvency were found not to influence the quantity of voluntary disclosure made by public businesses. Consequently, neither the company's solvency nor profitability may inspire voluntary disclosures.

CONCLUSIONS AND RECOMMENDATIONS

This study aimed to identify the determinants that can encourage the quality of voluntary disclosure, such as ownership structure, audit committee effectiveness, and audit quality. Variables representing ownership structure are government ownership, institutional Ownership, Foreign Ownership, and board of directors' ownership. The financial expertise of the audit committee, the audit committee's experience, the audit committee, the size of the audit committee, the independent audit committee, and the frequency of audit committee meetings measure the audit committee's effectiveness. The variables that explain audit quality are the size of the public accounting firm, the auditor's Tenure, and audit fees. In addition, this research model also includes control variables such as the size of the board of directors, firm size, profitability, solvency, and firm age.

The research test results show that foreign ownership significantly affects the quality of voluntary disclosure (H_3 is proven). Based on these results, it can be concluded that issuers consisting of foreign shareholders tend to reduce voluntary information transparency. The main factor of this phenomenon is generally associated with the country of origin and the diverse backgrounds of foreign investors. Foreign investors can adjust perceptions and expectations of the company's level of voluntary disclosure with the information disclosure regulations of issuers in their home country.

Independent variables such as the size of the audit committee are also proven to affect the level of voluntary disclosure (H_7 is proven). The audit committee has a role that includes oversight of compliance and disclosure of company information. Audit committee members generally consist of independent professional members with various specialization expertise. The diverse backgrounds of audit committee members can encourage companies to make extensive voluntary disclosures. The broad attributes of voluntary disclosure can include the completeness of various aspects, including social responsibility, strategic information, and other non-financial information.

Other variables in the research were proved not to be the drivers of the extent of voluntary disclosure in Indonesia. For example, the ownership structure, such as government, institutional, and director ownership, does not significantly affect voluntary disclosure. In addition, the audit committee experience, independence, audit Firm size, auditor tenure, and audit fee are not associated with voluntary information disclosure. Hence, the hypotheses are rejected except the H_3 and $H_{7,}$ in which significance was proven.

Of all the control variables in the study, company age is the only variable that can encourage voluntary disclosure. Other control variables, such as the size of the board of directors, firm size, profitability, and solvency, are not proven to be significant in influencing the quality of voluntary disclosure of public companies. Based on these results, it can be concluded that the company's age, since being listed on the stock exchange, can determine its tendency to disclose information voluntarily. On the other hand, the company's performance as measured by profitability and solvency, company size, and the size of the board of directors are not determinant that affects the tendency of voluntary disclosure.

Based on the study's results, awareness of voluntary disclosure must be increased to increase the company's competitiveness and transparency. Companies must develop a complex industry and capital market to ensure information disclosure. Investors' interest in information needs has also shifted from mandatory to voluntary disclosure. In addition, voluntary disclosure can explain prospective and retrospective financial and non-financial information. Based on these facts, issuers need to facilitate effective corporate governance mechanisms such as shareholders, audit committees, and external auditors in publishing an integrated, comprehensive annual report.

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