DETERMINANTS OF VOLUNTARY DISCLOSURE ON ANNUAL REPORT OF COMPANIES
(Study of Manufacturing Companies in Indonesia, Malaysia and Singapore)

SKRIPSI
Submitted as Partial Fulfillment of Requirements for the Degree of Sarjana Ekonomi (SE) at the Universitas Sebelas Maret Surakarta

By
Kamilia Alfi Naily
F 0306046

FACULTY OF ECONOMICS
SEBELAS MARET UNIVERSITY
SURAKARTA
2010
DETERMINANTS OF VOLUNTARY DISCLOSURES ON ANNUAL REPORT OF COMPANIES

(Study of Manufacturing Companies in Indonesia, Malaysia and Singapore)

ABSTRACT

Kamilia Alfi Naily
F.0306046

The objectives of this research are (1) to examine the effects of ownership structures toward the extent of voluntary disclosures, in Indonesia, Malaysia and Singapore and (2) to examine the effect of company characteristics toward the extent of voluntary disclosures in Indonesia, Malaysia and Singapore.

This research employed 135 samples of annual reports of manufacturing companies listed in Indonesia Stock Exchange (IDX), Malaysia Stock Exchange (MYX) and Singapore Stock Exchange (SGX), at the end of 2007. The year of 2007 was selected because in that year, ASIAN countries were release from monetary crisis that hit ASIAN countries in 1997. Hence, companies were expected in stable condition and information disclosed in annual report was relatively relevant. Samples in this research were selected using purposive sampling method. Voluntary disclosures were measured by Botosan index (1997). Botosan index is an unweighted index, thus research subjectivity is expected to be minimal. This index was chosen partly because its ability to implement across countries (e.g. Kumar et al,2008 in Asia Pacific countries and Wijantini,2006 in Indonesia). Multiple regression analysis was used to test 7 hypotheses.

The descriptive statistic result suggests that voluntary disclosure in three countries is relatively low. Indonesia achieves the highest rank in the extent of voluntary disclosure, followed by Singapore and Malaysia. Regression result suggests that size is significant explanatory variable in each country. This research also proved that profitability effect voluntary disclosures in Malaysia while foreign ownership effect voluntary disclosures in Singapore.

Keywords: Voluntary disclosures, Botosan index, Indonesia, Malaysia, Singapore
PAGE OF ADVISOR’S APPROVAL

The skripsi with the title of:

DETERMINANTS OF VOLUNTARY DISCLOSURE ON ANNUAL REPORTS OF COMPANIES
(Study of Manufacturing Companies in Indonesia, Malaysia and Singapore)

Approved and accepted by advisor to be proposed to the team of skripsi examiners

Surakarta, December  , 2009
Accepted and Approved by,
Advisor

Doddy Setiawan, S.E. M.Si. Ak.
NIP. 197502182000121001
APPROVAL

The Skripsi has been examined and defended before the board of examiners of the Accounting Department of Universitas Sebelas Maret as partial fulfillment of requirements for the degree of Sarjana Ekonomi (SE).

Surakarta, February 12, 2010

Skripsi Examiners Team

1. Drs. Eko Arief Sudaryono, M.Si. Ak. ( )
   NIP. 196112311988031006

2. Dra. Setyaningtyas Honggowati M.M. Ak. ( )
   NIP. 196004271986012001

3. Dr. Rahmawati M.Si. Ak. ( )
   NIP. 196804011993032001

4. Doddy Setiawan, M.Si. Ak. ( )
   NIP. 197502182000121001
MOTTO

- There is no substitution for hard work and pray
- Believe in yourself is the best way to achieve success
- Allah SWT promises that there is always a way to solve a problem as long as we believe and try
DEDICATION
This *skripsi* and whatsoever success that I could achieve is dedicated to

**MY MOTHER AND MY FAMILY**

There is no sincere love like your love, mom

Thanks for all the support and *tahajud* pray for the last seven years

**ACKNOWLEDGMENT**

Researcher will be grateful to Allah SWT for all the mercy and bless so that she was able to finish this research well.

This *skripsi* is proposed to complete all the requirements of achieves the degree of *Sarjana Ekonomi* of Accounting Department, Sebelas Maret University, Surakarta.

Researcher realizes that she could not have finished this skripsi without the supports and involvement of many parties both directly and indirectly. I owe a very great debt to:

1. Prof.Dr. Bambang Sutopo, M.Com., Ak., as the Dean of Economics Department, Sebelas Maret University, Surakarta.
2. Drs. Jaka Winarna M.Si., Ak., as the Head of Accounting Department, Sebelas Maret University, Surakarta.

3. Mr. Doddy Setiawan, S.E., M.Si, M.A., Ak. as my *skripsi* advisor. I wish to express my deepest thanks to Mr. Doddy for his considerable help to give valuable commentaries and a very closely improved result.

4. Mrs. Christ, as my academic advisor, thanks for all your support and advices.

5. My mother, my father, and my brother. *Mommy*, all this perspiration is dedicated to you, the smartest, most beautiful and wisest lady I have ever known. *Papap* and Rifky, thank you for being the two most reliable men for me.

6. My special friend Wahyu Budi Utama, I always could count on you.

7. My bestfriend Rina Setyaningsih, the world will be *uncool* without you. We are perfect *pals*, aren’t we? Boldly fashionable is our motto. Latifah Nurina, thanks for all your support and valuable advice. Yuniati Dina A., you are such a hardworker person, I am proud to have you. Windy Novianti P. thanks for all your help in the last three years. Thanks for always remind me of our task as a student. Muhammad Nur Hidayah, you capability in English is undoubtfull. Thank for becoming my English conversation partner. Angga Rozak N., you are such a good friend, I am glad to have you. Mas Sofyan, thanks for all your help especially when it is related to Mr.Doddy.
8. All of my friends in Accounting Department, I am happy to have you all in the last three and a half years. I wish that graduation is not the end or our friendship.

9. For all parties that Researcher could not mention one by one, I thank for all your support in the last three and a half years.

   Researcher realizes that this research is far from being perfect. This research has a lot of constraint, thus any suggestions and critics are expected for the sake of improving this research.

   As I close this acknowledgment, I expect that this writing will be fruitful to all parties.

   Surakarta, December , 2009

   Kamilia Alfi Naily
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABSTRACT</td>
<td>ii</td>
</tr>
<tr>
<td>PAGE OF ADVISOR’S APPROVAL</td>
<td>iii</td>
</tr>
<tr>
<td>PAGE OF APPROVAL</td>
<td>iv</td>
</tr>
<tr>
<td>PAGE OF MOTTO</td>
<td>v</td>
</tr>
<tr>
<td>PAGE OF DEDICATION</td>
<td>vi</td>
</tr>
<tr>
<td>ACKNOWLEDGMENT</td>
<td>vii</td>
</tr>
<tr>
<td>TABLE OF CONTENT</td>
<td>x</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>xiii</td>
</tr>
<tr>
<td>LIST OF FIGURE</td>
<td>xv</td>
</tr>
<tr>
<td>CHAPTER I. INTRODUCTION</td>
<td>1</td>
</tr>
</tbody>
</table>
A. Background ................................................................. 1

B. Problem Statements .................................................. 10

C. Research Motivation .................................................. 10

D. Research Objectives .................................................. 11

E. Research Benefits ...................................................... 12

F. Organization of *Skripsi* ............................................. 12

### CHAPTER II. THEORETICAL FRAMEWORK ......................... 14

A. Agency Theory .......................................................... 14

B. Corporate Disclosure ................................................ 15

C. Concept of Voluntary Information Disclosure .................. 17

D. Disclosure Settings in Indonesia, Malaysia and Singapore .... 19

E. Company Characteristics ............................................ 21

F. Research Model ........................................................ 23

G. Prior Researches and Hypotheses Development ................. 23

### CHAPTER III. RESEARCH METHODS .............................. 39

A. Research Design ...................................................... 39

B. Population and Sample .............................................. 39

C. Operational Definition and Measurement of Variables ....... 41

D. Source and Data Collecting Technique .......................... 47

E. Data Analysis Method ................................................. 48
CHAPTER IV. DATA ANALYSIS ......................................................... 54

A. Descriptive Statistic Analysis .............................................. 56

B. Classic Assumption Analysis ............................................. 67

1. Normality Test ............................................................... 67

2. Multicollinearity Test ....................................................... 70

3. Autocorrelation test .......................................................... 72

4. Heteroscedasticity test .................................................... 73

C. Regression Analysis ......................................................... 75

CHAPTER V. CONCLUSION ........................................................... 70

A. Conclusions ................................................................. 83

B. Research Constraints ..................................................... 85

C. Research Suggestions ..................................................... 85

REFERENCES

APPENDIXES
# LIST OF TABLES

<table>
<thead>
<tr>
<th>TABLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>II.1</td>
<td>A comparison of voluntary disclosure and mandatory disclosure... 18</td>
</tr>
<tr>
<td>III.1</td>
<td>Summary of Operational Definitions of Variables............... 45</td>
</tr>
<tr>
<td>III.2</td>
<td>Autocorrelation Decision Rules.................................. 51</td>
</tr>
<tr>
<td>IV.1</td>
<td>Sample Selection.................................................. 52</td>
</tr>
<tr>
<td>IV.2</td>
<td>Descriptive Statistics-Indonesia................................ 54</td>
</tr>
<tr>
<td>IV.3</td>
<td>Descriptive Statistics of Disclosure Items-Indonesia............. 55</td>
</tr>
<tr>
<td>IV.4</td>
<td>Descriptive Statistics-Malaysia.................................. 56</td>
</tr>
<tr>
<td>IV.5</td>
<td>Descriptive Statistics of Disclosure Items-Malaysia............. 57</td>
</tr>
<tr>
<td>IV.6</td>
<td>Descriptive Statistics-Singapore.................................. 59</td>
</tr>
<tr>
<td>IV.7</td>
<td>Descriptive Statistics of Disclosure Items-Singapore............. 60</td>
</tr>
</tbody>
</table>
# LIST OF FIGURE

<table>
<thead>
<tr>
<th>FIGURE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>II.1</td>
<td>23</td>
</tr>
</tbody>
</table>

II.1 Research Model…………………………………………… 23
A. Background

Corporate financial reporting, in particular, annual reports are important avenues for communicating company financial and non-financial information (Barako, 2007). Annual report becomes an interesting topic since corporate financial reporting is an important part of the process for building investors confidence (Barako et al. 2006).

The supply of information disclosure from companies could be provided in numerous ways and in different types, the form of which are regulated and non-regulated. Regulated disclosures, also called mandatory, are financial reports for examples, the financial statements, while non-regulated information are optional and disclosed on a voluntary basis. Voluntary disclosures are provided in addition to mandatory requirements. Mandatory requirements are set by regulations issued by governmental bodies (ex: BAPEPAM in Indonesia). The mandatory disclosure is commonly seen as the minimum level of information the company must provide in its financial statements and annual report. These recent years have witnessed that more and more companies are disclosing information on a voluntary basis—presumably in the hopes that this extra data will hasten the stock
market to recognize hidden elements of corporate value (Schuster and O’Connell, 2006).

Globalization has imposed new trends in company reporting. The extent of mandatory reporting towards voluntary disclosure practices is expected to reduce the information asymmetry between companies and its stakeholders. The corporate financial reporting, and in particular, the level of voluntary disclosure is a vital part of the process for building investor confidence (local and foreign) and trust (Barako, 2007). Although they are not the only disclosure vehicles, annual reports have been much researched. One of the reasons is that disclosures in annual reports correlate positively with other corporate financial disclosures (Botosan, 1997).

Globalization issues are in line with Growth Triangles issues among Indonesia, Malaysia and Singapore. Indonesia-Malaysia-Singapore growth triangle (IMS-GT) is the pioneering arrangement in Southeast Asia. This arrangement aims to stimulate economic development through promotion of trade and investment. The proximity of markets helps reducing costs. Involving Malaysia and Indonesia, Singapore’s two nearest neighbours is a natural choice to start a triangular arrangement as there have been two existing bilateral arrangements, one is linking Singapore with Riau and the other is connecting Singapore with Johor. The concept of growth triangle, encompassing Singapore, Johor, and Riau, with different comparative advantages or factor endowments to
Form an economic zone was firstly articulated in December 1989 by Singapore's First Deputy Prime Minister Goh Chok Tong (Toh, 2006).

Indonesia, Malaysia and Singapore share culture and economic relationship as well. Singapore provides the advance technology and access to world market while Malaysia and Indonesia provide natural resources and labors. This mutual relationship has existed for a long time. As such, the region needs to be examined not simply as a complementary transborder assemblage of land, labour and capital, but rather as a palimpsest, in which the imagined geographies of cross-border development and the economic geographies of their uneven spatial fixing on the ground are mediated by complex cultural and political geographies (Sparke, 2004). Malaysia and Singapore have similar British roots and Indonesia has a Dutch colonial history. These three countries share economic relationship but principally different in their roots. For that reason, Indonesia, Malaysia and Singapore are expected to provide diversity for the samples.

Disclosure and transparency is often linked with corporate governance. The United Kingdom Cadbury Committee defines corporate governance as ‘the system by which companies are directed and controlled’ (Tabalujan, 2000). Corporate governance is given a lot attention nowadays. The Asian financial crisis in 1997 and the recent global corporate scandals, such as those involving Enron and Worldcom, have highlighted the importance of good corporate governance for the long-term survival companies (S&P, 2004). Disclosure acts as
a tool in implementing corporate governance. Transparency and information disclosure are keys to effective shareholders control and protection (Capulong, et al., 2001). Research in disclosure is relevant with recent discussion on corporate governance.

Capital markets are not well developed in most East Asian countries. Stock markets in the region are relatively small and characterized by poor transparency and disclosure, low liquidity, thin trading, high volatility and under-developed market infrastructure (Capulong, et al., 2001). The similarity among Indonesia Stock Exchange (IDX), Malaysia Exchange (MYX), and Singapore Stock Exchange (SGX) are characterized by high concentration of ownership, institution or person held large amount of share (block shareholders). The result of survey carried out by Claessens et al. (1999a) in East Asian countries (including Indonesia, Malaysia and Singapore) report that more than two thirds of the firms are controlled by a single shareholder.

This research proves that disclosure in Indonesia, Malaysia and Singapore are relatively low, which is line with (Capulong et al, 2001). The interesting result came out that Indonesia places the first rank followed by Singapore and Malaysia. There are several reasons that might explain this anomaly which will be discussed in Chapter IV. Overall result is consistent with prior research. Size always found as important explanatory variables. The rest of independent variables give various effects on voluntary disclosure.
Indonesia Stock Exchange (IDX) or Bursa Efek Indonesia (BEI) is a stock exchange based in Jakarta, Indonesia. It was previously known as Jakarta Stock Exchange (JSX) before its name changed in 2007 after merging with Surabaya Stock Exchange (SSX). Two of the main indices available in the Indonesia stock exchange are the IDX Composite and the Indonesia Islamic Index. The Indonesia Islamic index tracks 30 corporate stocks and is a measure of the market activities based on the Islamic Sharia. As of 31 December 2007, the Indonesia Stock Exchange had 383 listed companies with a combined market capitalization of $212 billion.

The Bursa Malaysia or Malaysia Exchange (MYX) previously is known as Kuala Lumpur Stock Exchange (KLSE). Kuala Lumpur Stock Exchange became a demutualised exchange and was re-named Bursa Malaysia in 2004. It consists of a Main Board, a Second Board and MESDAQ with total market capitalization of MYR700 billion (US$189 billion). The main index for Bursa Malaysia is Kuala Lumpur Composite Index (KLCI).

SGX was formed on December 1, 1999, following the merger of the Stock Exchange of Singapore (SES) and the Singapore International Monetary Exchange (SIMEX). It is the Asia-Pacific first demutualised and integrated securities and derivatives exchange. As of 31 December 2007, the Singapore Stock Exchange had 762 listed companies with a combined market capitalization of $539 billion. With Singapore now a leading financial center in the Asia-
Pacific, the Singapore Exchange has become one of the premier exchanges in its region. The SGX divides its company listings into the SGX Mainboard and the SGX SESDAQ.

Indonesia, Malaysia and Singapore have already implemented corporate governance in their regulation. Each of the three countries has financial-reporting regimes separate from their tax rules. Based on investigation by Standard & Poor’s, Singapore companies is in the first place on implementing and disclosing corporate governance, followed by Malaysia then Indonesia. Corporate governance has a linkage with the extent of disclosures, since one of the corporate governance principals is transparency (disclosures). In general terms, corporate governance regulation in three countries discussed is quite similar, e.g. regulation about disclosing firm risk. Hence, it is interesting to know to what extent voluntary disclosures has been implemented in each country.

However, there are some important differences among blockholders in Indonesia, Malaysia and Singapore companies compared to other countries. Unlike Japan and Germany, banks do not directly own significant proportions of shares in Singapore companies because they are not permitted to do so under the Banking Act of 1970. Further, unlike U.S. and U.K., mutual funds (or unit trusts) are not significant blockholders (Husnan, 2000). Over reliance on external funding (i.e. bank loans) are found in Malaysia and Indonesia (FCGI, 2004). Mutual funds are not well established in the countries discussed.
Based on the type of disclosures, previous studies could be divided into studies examining disclosures in general, both mandatory and voluntary, and studies examining certain type of disclosures, such as financial disclosures, social responsibility disclosures, environmental disclosures, etc (Kusumawati, 2006). This cross-sectional study investigates the general ones and examines the association among firm characteristics, ownership structure and voluntary disclosures practices of Indonesian firms listed in IDX (Indonesia Stock Exchange), MYX (Malaysia Stock Exchange), and SGX (Singapore Stock Exchange) for the year 2007.

Increased voluntary disclosures are likely to have a major impact on both the quantity and quality of publicly available information (Schuster and O’Connell, 2006). Voluntary disclosures are commonly associated with the cost of capital. Several prior studies show a consistent finding that there is a negative association between cost of equity capital and disclosures level (Botosan, 1997; Botosan and Plumlee, 2000), even Francis, et al (2005) found that firms benefit from expanded disclosures by having a lower cost of both debt and equity capital. It means that the decision to voluntary disclosing various information could affect the cost of capital by reducing information asymmetry. The greater disclosures are associated with the lower cost of equity capital.

This study focuses on attributes that influencing the voluntary disclosures rather than examining the effect of voluntary disclosures. Research examining the
Disclosures quality and factors affecting disclosures is an important thing to do, since this kind of research will give description about the variety of disclosures and factors that influence them. Another importance is giving a clue for investors about the condition of company through company’s disclosures (Marwata, 2001). It is also useful for Regulator Body as a reference to formulate form and content of accounting statement so that investors are properly protected.

Several researches conducted in voluntary disclosures in Indonesia and other countries give various results. The impact of size is always found consistent (positive) but other firm characteristics have different effects. Liquidity found to have a positive effect on the extent of disclosures in Netherlands. Wallace, et al (1994) found that liquidity affect the extent of disclosures negatively in Spain. Hassan et al. (2007) found that leverage affect the extent of disclosures positively in Malaysia. This is contrary with Kumar et.al. (2008) who found that leverage affect the extent of disclosures positively on U.S. Listed Asian Companies. In Indonesia similar researches conducting in the extent of disclosures has been done. Naim and Rakhman (2000) found that leverage affect voluntary disclosures in positive direction. This is in contrary with Mawarta (2001), who found that the extent of disclosures is not affected by leverage. Simanjuntak and Widiastuti (2004) found that the relation between public ownership and the extent of disclosures is positive. On the other hand, Naim and Rakhman (2000) found that the relation is negative. Recent empirical researches give an inconclusive result.
Research examining ASEAN countries in comparative approach has been done by several researchers, most of them in corporate governance framework. Study by Craig and Diga (1998) examined Singapore, Indonesia, Malaysia, the Philippines and Thailand to ascertain the extent, pattern and nature of corporate disclosures. The average extent of disclosures in those countries is about one-half of common requirement items disclosed in annual reports.

Williams (1999) conducted a study in Asia Pacific countries to determine whether there are any significant differences in the amount and type of voluntary environmental and social accounting disclosures (VESAD). Parametric t-tests indicated that organizations in Singapore, Thailand and the Philippines appeared to supply higher amounts of disclosures than their counter-parts in Hong Kong, Indonesia and Malaysia. Study of corporate disclosures in Asia Pacific, especially concerning in IMS-GT (Indonesia, Malaysia and Singapore-growth triangle) is relatively limited. Thus, this paper tries to fill those research gaps.

This paper contributes to the existing literature in several ways. First, the papers add to the literature on voluntary disclosures in developing countries. Secondly, the paper provides evidence to what extent voluntary disclosures is determined by company characteristic and ownership structure. This paper differs from previous studies in several ways. This research examines the company characteristic into six attributes and ownership structures into two attributes. This paper investigating six company characteristics (size, leverage, type of audit firm,
profitability, and liquidity) and ownership structure (ownership concentration and foreign ownership) associated with voluntary disclosures.

B. Problem Statements

1. To what extent of voluntary information disclosures comes within annual reports of companies?
2. What kinds of voluntary disclosures found in their annual reports?
3. Do ownership structures (ownership concentration and foreign ownership) influence the extent of voluntary disclosures of companies?
4. Do companies’ characteristics (size, leverage, type of audit firm, profitability, and liquidity) influence the extent of voluntary disclosures?

C. Research Motivation

Financial statement is believed to able to reduce the asymmetry information among firm and investors. There is empirical evidence suggesting that increased information disclosures reduces a firm’s cost of capital by reducing asymmetry information (Botosan, 1997, 2000; Chen, et al, 2003).

In recent years, there has been a stream of studies examining companies’ voluntary disclosures practices. However, most of those studies focus on the industrialized Western countries (Barako, 2007). Research in Asia, especially South Asia is limited, study by Wiiliams (1999), Perry and Singh (2001), and Craig and Diga (1998) are several studies conducted in Asia Pacific and ASEAN
countries. Most of those studies concerned in certain type of disclosures such as environmental and social disclosures. This research aimed at contributing to the study of disclosures, especially the general ones.

The recent empirical researches show an inconsistent result concerning the factors that influence the voluntary disclosures practices, except for size of the firms. For example, the correlation between leverage and the level of voluntary disclosures found to be positive in Naim and Rakhman (2007) but found to have no significant effect in Wijantini (2006). The empirical findings are inconclusive.

The motivation of this study is to examine whether the firm characteristic and ownership structure play a significant role in explaining voluntary disclosures practices of companies in Indonesia, Malaysia and Singapore.

D. Research Objectives

This study has two main objectives. The first is to investigate and measure the level of voluntary information disclosures and to find out the types of voluntary disclose through annual reports. Secondly to examine whether firm-specific characteristics and ownership structures are influencing factors, associated with voluntary disclosures of various types of information. This paper is intended to give an empirical evidence of company characteristics and ownership structure determinants of voluntary disclosures in Indonesia, Malaysia and Singapore.
E. Research Benefits

This study is expected to give considerable benefits to:

1. Investors, this paper could enhance investors’ understanding and awareness of voluntary information disclosures in annual report so that; they can make a good quality assessment of certain companies before making an investing decision.

2. Accounting Standards Body, the result of this study is expected to be considered issues pertaining to standard arrangement with respect to a better quality and more comprehensive standard.

3. Regulatory Body, this study encourage Regulatory Body to set the appropriate standard because there is a lot of debate on the extent to which financial reporting should be regulated and to what extent it should be left to the market.

F. Organization of Skripsi

Chapter II : Theoretical Framework

This chapter contains literature review of relevant research which leads the way to hypotheses development and research model.

Chapter III: Research Method

Population, sample, measurements of variables and data analysis method are discussed.
Chapter IV: Data Analysis and Interpretation

The comprehensive interpretation of result in descriptive statistic and regression analysis are the body of this chapter. It provides sufficient information so that the result does not cause misinterpretation.

Chapter V: Conclusion

This closing chapter presents the research result in broad outline. It also discloses research constrains and future research suggestions.

CHAPTER II

THEORETICAL FRAMEWORK

A. Agency Theory

Jensen and Meckling (1976) defined an agency relationship as “a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent”. The theory models the relationship between the principal and the agent. In the context of the firm, the agent (manager) acts on behalf of the principal (shareholder). This agency problem
raises agency cost to the firms. Agency costs include the costs of structuring, monitoring, and bonding a set of contracts among agents with conflicting interests. Agency costs are as real as any other costs (Jensen and Meckling, 1976).

Firm is the nexus of contracts, written and unwritten, among owners of factors of production and customers. These contracts or internal “rules of the game” specify the rights of each agent in the organization, performance criteria on which agents are evaluated, and the payoff functions they face (Fama and Jensen, 1983). In the case of separation of ownership and control, agency problems arise. Manager as agent acts under shareholder (principal) interest. Manager get reasonable payoff and shareholders wealth rises. The major concern is the information asymmetry between managers and shareholders. Managers have the information advantage and may use this information to maximize their own interest.

Further, Fama and Jensen (1983) states that the control of agency problems in the decision process is important when the decision managers who initiate and implement important decisions are not the major residual claimants and, therefore, do not bear a major share of the wealth effects of their decisions. Without effective control procedures, such decision managers are more likely to take actions that deviate from the interests of residual claimants. In other words, when managers are not the subject of sharing profit or do not own share of its companies, they are unlikely to acts in the best interest of shareholders (companies).
In case of East Asian countries, expropriation of minority shareholders is the major issue. The major principal-agent problem for publicly-traded corporations is between majority and minority shareholders (Claessens et al., 1999b). Further, the degree of expropriation varies with the degree of ownership structures in country-specific circumstances, e.g. the degree of financial disclosure required.

Barako, Hancock and Izan (2006) argue that voluntary disclosures present an excellent opportunity to apply agency theory. In the sense that majority shareholders who have better access to a firm’s private information can make credible and reliable communication to build minority shareholders trust and minimize the expropriation risk.

B. Corporate Disclosures

Companies providing voluntary information were forced by two major issues, the agency theory (ex-post problem) and the signaling theory (ex-ante problem). Agency theory exists as a consequence of delegation given from owners to managers which leads to asymmetry information. As noted earlier, the decision of expanding disclosures in annual report could reduce the information asymmetry between managers and shareholders, therefore decreasing the cost of equity capital by increasing shares liquidity, reducing shares volatility and improving capital market efficiency (Schuster and O’Connell, 2006).
Signaling theory exists before investors place their money into certain companies. Information problem exists because investors have no or limited information to assess the quality of companies, forcing them to value all the companies at average level. Disclosing more financial and nonfinancial information to potential investors can reduce the information problem (Bogdan et al., 2008). Signaling theory provide an assumption that managers have an incentive to make voluntary earnings forecasts to reveal their type. A firm’s market value is a function of investors' perceptions of its managers’ ability to anticipate and respond to future changes in the firm’s economic environment (Haley and Palepu, 2000). Thus, voluntary disclosures are intended to be a signal to investor about a better future of the company.

Information disclosures have two potential benefits for firms. First, they can help correct any firm misevaluation, and second, they can increase institutional interest and liquidity for a firm’s stock. However, there are also reasons to question the benefits of voluntary disclosures. Some managers argue that increased disclosures reduce shareholder value by revealing valuable information to competitors or by increasing legal costs for the firm (Lu et al., 2007).

C. Concept of Voluntary Information Disclosures

Information disclosures system means a series of behavioral regulations and activity standards for relevant parties in the securities market who publicize
the information related with securities by certain way in the process of issuing stocks, listing on the market, and trading, according to laws, and rules of securities administrative agencies and stock exchanges (Tian and Chen, 2009).

Tian and Chen (2009) states comparison between voluntary and compulsory (mandatory) disclosures as below:

Table II.1
A comparison of voluntary disclosures and mandatory disclosures

<table>
<thead>
<tr>
<th>Item</th>
<th>Voluntary Disclosures</th>
<th>Mandatory Disclosures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definition</td>
<td>Except compulsory disclosures, the information disclosed by listed companies for the sake of corporate images, relationship with investors, and avoidance of accusation risks</td>
<td>The information that is required to be disclosed according to the securities law, accounting principles, and regulatory agencies’ regulations</td>
</tr>
<tr>
<td>Motive</td>
<td>Self-interested information communication between listed companies and other interest-related parties</td>
<td>Use laws and regulations to adjust the information communication between listed companies and other interest-related parties</td>
</tr>
<tr>
<td>Content</td>
<td>Companies’ future strategies, R andD plans, prediction information, purchase and merger information, investment project analysis, and financial information analysis, etc.</td>
<td>Companies introduction, basic financial information, information about the board and top managers, vital related transactions, explains for important items</td>
</tr>
<tr>
<td>Carrier</td>
<td>Annual reports, public announcement, booklets, website, roadshow, etc.</td>
<td>Annual report, interim report, and season report</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>------------------------------------------------------------------------</td>
<td>-------------------------------------------------</td>
</tr>
<tr>
<td>Time</td>
<td>At the right time</td>
<td>Fixed time in a year and season</td>
</tr>
<tr>
<td>Balance mechanism</td>
<td>Corporate governance mechanism’s design and effectiveness</td>
<td>Laws’ regulations and execution</td>
</tr>
<tr>
<td>Root of disclosures</td>
<td>Economic globalization and globalization of capital market</td>
<td>Monopoly of companies on self information</td>
</tr>
</tbody>
</table>

*Source: A literature study on concept of voluntary disclosures and review of relevant studies, Tian and Cen (2009)*

Voluntary disclosures are discretionary act. Indeed, managers manage different levels of disclosures for two types of factors, to reach economic objectives and to respect rules and societal standards. The process of voluntary disclosures results, thus, from an arbitration between the economy of costs (agency costs, political, capital) that this publication can procure to the company, and the generation of costs (direct and indirect) as a result of this publication (Matoussi, 2006). Companies can reduce its cost of capital and minimize its asymmetric information by disclosing more information. At the same time companies face additional risk arising from disclosing more, example: competitors may obtain information about product, strategy, etc.

The checklist of voluntary disclosures items in this study as a dependent variable are classified into five categories in annual reports of sample companies i.e. overall voluntary disclosures of background information, summary of
historical result, non-financial information, projected information and management discussion which was adopted from Botosan (1997).

D. Disclosures Settings in Indonesia, Malaysia and Singapore

The standard-settings body is a Committee of Financial Accounting Standards. Both public and private companies must comply with those accounting standards (Astami and Tower, 2005). For listed companies, additional mandatory disclosures in Indonesia are arranged by Decree of the Chairman of the Capital Market and Finances Institution Supervisory Board no.: KEP-134/BL/2006. This regulation sets the general framework for financial accounting and reporting by all listed companies in Indonesia, and stipulates the basic minimum requirements with regard to financial reporting. The regulation also emphasis on non-financial disclosures such as corporate governance, board composition, and board report. Those non-financial disclosures are a new requirement mandate since they didn’t exist in the prior regulation (Decree of the Chairman of the Capital Market and Finances Institution Supervisory Board no.: Kep-38/PM/1996). Corporate governance has been a mandatory requirement in Indonesia since 2006.

Malaysian Accounting Standards Boards (MASB) is an independent body which develops financial reporting standards. MASB is based on Companies Act 1965. Financial reporting in Malaysia is governed by Companies Act 1965,
which is based on British companies Act 1948 and The Australian Uniform Companies Act 1961 (Ngee, 2007). The Companies Act 1965 of Malaysia requires companies to prepare annual report in accordance with its **Ninth Schedule**. While Ninth Schedule prescribes minimum disclosures requirements for profit and loss accounts and balance sheets of companies, professional bodies such as the Malaysian Institute of Accountants (MIA), which play an important role in supplementing additional disclosures. The MIA was set up in 1967 by the government as a statutory body to regulate the accounting profession. The MIA is the only accountancy body empowered by law to regulate the accountancy profession in Malaysia. To date, MIA has adopted 25 International Accounting Standards (IASs) (Akhtaruddin, 2008).

Singapore is one of the developed countries in South East Asia (World Bank, 2007). Singapore law had and still has much in common with that of English as the Companies Act drew upon English precedents. To supervise the areas of accounting standards and corporate governance review, the **Council on Corporate Disclosures and Governance** (“CCDG”) was established on 16 August 2002. Its role is to prescribe accounting standards in Singapore and strengthen the existing framework of disclosures practices and reporting standards taking into account trends in corporate regulatory reform and international best practices. CCDG has now issued a set of accounting standards
and interpretations that are almost identical to the current set of IFRS, with the exception of effective date (Astami and Tower, 2005).

E. Companies’ Characteristic

This research investigates the role of companies characteristic in explaining voluntary disclosures in Indonesia, Malaysia and Singapore companies. Three firm characteristics: performance variables, structure variables, and market variables will be controlled. These categories are based on Wallace et al. (1994):

1. Structure-related variables

Structure-related variables describe a firm on the basis of its underlying structure. Structured-related variables are likely to remain stable over time. The structure variables controlled in this study are ownership concentration, foreign ownership, debt-total assets ratio (leverage) and firm size.

2. Performance-related variables

Performance-related variables vary from time to time and represent information that may be of interest of account user. The performance variables controlled in this study are profitability, defined as the ratio of shareholders equity (ROE) and liquidity ratio.

3. Market-related variables
Market-related variables are qualitative in character and categorical. Its different from structure-related and performance-related variables take on quantitative values in a well-defined scale. The market variables controlled in this study type of audit firm, defined as the Big 4 international independent audit firms (i.e. PriceWaterhouseCoopers, Ernst and Young, Deloitte and Touche, and KPMG).

F. Research Model

The problem examined in this research is whether firm characteristics (size, leverage, type of audit firm, profitability, and liquidity) and ownership structure (ownership concentration and foreign ownership) associated with voluntary disclosures of Indonesian companies. The research model could be described in Figure II.1.

Figure II.1
Research Model

<table>
<thead>
<tr>
<th>Firm characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size</td>
</tr>
<tr>
<td>Leverage</td>
</tr>
<tr>
<td>Type of audit firm</td>
</tr>
<tr>
<td>Profitability</td>
</tr>
<tr>
<td>Liquidity</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ownership Structures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership Concentration</td>
</tr>
<tr>
<td>Foreign ownership</td>
</tr>
</tbody>
</table>

Voluntary disclosures level
G. Literature Review and Hypotheses Development

Financial disclosures in a particular country are not only a function of both regulatory requirements and the degree of enforcement, but also a market pressure to comply or make voluntary disclosures (Camfferman, 2002). There are two streams of papers examining the voluntary disclosures practiced by companies. The first is investigating the effect of voluntary disclosures on cost of capital, cost of debt, even on trading volume information affecting firms’ return. Haley and Palepu (2000) argue that there are potentially three types of capital market effects for firms that make extensive voluntary disclosures: improved liquidity for their stock in the capital market, reductions in their cost of capital, and increase followed by financial analysts. These findings are consistent with Botosan (1997) and Botosan and Plumlee (2000). Botosan finds that for firms with low analyst following, there is a negative relation between cost of equity capital and the extent of their voluntary disclosures in the United States. Some researches even provided an empirical result that the negative correlation between disclosures and the cost of equity capital documented in the U.S. can be extended to emerging market like Asia (Chen et al, 2003), Brazil (Lopes and Alencar, 2008), and 34 countries outside the United States (Francis et al, 2005).
The second, stream of papers were focused on the factors influencing the level of voluntary disclosures. In other words, those papers are measuring the level of voluntary disclosures affected by some variables, e.g. the size of firm. Other company attributes that was found to have significant effect on association with corporate disclosures includes industry type (Cooke, 1989, 1992), type of audit firm (Barako, 2007), performance variability (Wijantini, 2006), listing status (Kusumawati, 2006), foreign parent company relationship (Cooke, 1989), stock market listings (Cooke, 1992), liquidity (Camfferman and Cook, 2002) and profitability (Sudarmadji and Sularto, 2007).

Studies by Camfferman and Cook (2002) provide empirical evidence that profitability influences the extent of disclosures. This study compares the extent of voluntary disclosures between United Kingdom (U.K.) and The Netherlands companies. The result is disclosures by U.K. companies are more comprehensive than by Dutch companies and the difference is significant. Gearing was found to be positively associated with disclosures for The Netherlands but negatively related in the case of U.K. Size is found to be positive in both countries. The auditot type coefficient is positive in both countries indicating greater comprehensiveness of disclosures by those audited by a Big 4 auditor and the variable was found to be significant in the U.K., but not in The Netherlands.

Wallace, Kamal and Aracelli (1994) assess the comprehensiveness or corporate annual reports in Spain. They provide a unique approach to measure disclosures quality. Instead of awarding one mark for the presence and zero for
the absence of an item of information in a corporate annual report, this study emphasized the comprehensiveness of disclosures on each item by rewarding the depth of information provided in annual reports and so gave a credit to the density (fullness) of information on each of the item selected for study. An important decisive factor for the degree of information disclosures is the size of corporation. Another factor is the types of listed companies and liquidity. Amount of details in Spanish corporate annual report is increasing in firm size and decreasing in liquidity.

Haniffa and Cooke (2000) put the personal characteristics or culture as one of explanatory variables that may influence disclosures practice. Malaysia are said to have high uncertainty avoidance and are often perceived as focusing on the short-term while the Chinese are characterized as having low uncertainty avoidance and long-term orientation. This research conducted in Malaysia, 167 Malaysian non-financial and non-unit trusts companies listed on the main board of the KLSE were taken as sample. The result indicates that none of personal variables are found to be significant. Company specific characteristics including asset in place (size) and Return on Equity (profitability) were found to be significant.

Cooke (1989) held survey of annual report of Swedish companies. The purpose of this research is to know whether there are an association between number of independent variables and the extent of disclosures in Swedish. The independent variables are quotation status, parent company relationship, the size
of firms (annual sales, total assets size, and number of shareholders). Cooke (1989) employs a multiple regression analysis in this research. The essential findings is whilst size- as measured by total assets, sales, and number of shareholders- is an important variable, it does not matter which one of the three is selected. As a result, it may be concluded that quotation status and size are two significant explanatory factors.

Yuliansyah and Megawati (2007), held a cross-sectional study, in 2001 audited financial statement of manufacture companies. Purposive judgment sampling is made to choose samples. 32 companies are selected to content analysis. The result of statistic descriptive indicates that the extents of disclosures on companies listed in Jakarta Stock Exchange (JSX) are relatively low. Liquidity found to have positive effect to the extent of disclosures as well as solvability, size and public ownership.

Lapointe et al. (2005) conducted a study in Switzerland to find out corporate disclosures quality and its motivation and consequences. To determine the level of voluntary disclosures exhibited by Swiss firms, this study develop a coding instrument that measures both the quality and the quantity of information included in annual reports. It is found that there are significant association between the quality and quantity of information disclosed by Swiss firms, size, Big4 auditors. Lapointe et al. (2005) argue that auditors play a key role in ensuring that Swiss firms disclose more than what is required under their largely unregulated environment.
Reviewing the literature on voluntary disclosures, there are several studies interested in measuring the influence of companies’ ownership structure on the extent of voluntary disclosed information. Barako (2007) had the longitudinal study (1992-2001) of disclosures on annual reports in Kenya (Nairobi Stock Exchange). Barako divide the voluntary disclosures into four types of information; general and strategic, financial, forward-looking, as well as social and board information. He tests each type of disclosures against independent variables. The study employed Ordinary Least Square (OLS) with Panel-Corrected Standard Errors (PCSEs). Barako found that the level of voluntary disclosures is generally low. Further, foreign ownership and institutional ownership are significant for all four categories of disclosures. The results for the shareholder concentration variable are mixed with a significant negative relationship for the general and strategic, and financial disclosures but positive for the social and board disclosures.

Matoussi (2006) performed a study in Tunisia, which is a developing country. The Tunisian Financial system is fragmented, dominated by banks. Moreover, financial institutions, including insurance, investment and securities companies own significant proportions of the shares in listed companies and are often among the five largest block holders. This research uses panel data of Tunisian listed firms that do not belong to the financial sector for the years 2003 until 2005. This study developed an index of voluntary disclosures based on the index of Botoson (1997) that is structured around five categories by
completing it with three information categories: intangible assets, social and environmental information as well as governance. The results show that the extents of voluntary disclosures tend to increase across the time. Further, this study found that the relation between the ownership concentration and the voluntary disclosures is positive and statistically significant.

Bogdan et al. (2007) find out in their research about the effect of ownership structures on voluntary disclosures of Romanian listed companies. The Romanian reporting system is for the moment dominated by the mandatory financial reporting. The population studied in their work is constituted of the first and second tiers listed on the Bucharest Stock Exchange and the sample is made up by the top fifteen listed companies selected after market capitalization. In order to test the association between ownership structure and the extent of voluntary disclosures, this research have drawn up three types of ownership (institutional ownership, foreign shareholders, and state ownership). This paper has noted a low level of voluntary disclosed information by Top 15 (fifteen) Romanian listed companies. The link between ownership structure and voluntary disclosures in the results show that only institutional ownership may be considered as an influence factor that may affect the level of voluntary disclosures of Romanian Top 15 (fifteen) listed companies.

A study conducted in Malaysia by Ho (2008) tried to reveal the relationship between ownership structures and voluntary disclosures. The analysis
covers three key time periods that are considered critical in terms of regulatory reforms following the environmental change. These time periods include 1996 representing pre-1997 Asian financial crisis, 2001 representing post-financial crisis, and 2006 post Enron debacle. The annual reports of 50 Malaysian listed firms for each time period are randomly selected from the population of firms listed in the MYX (Malaysia Stock Exchange). The results show that the average level of voluntary disclosures is generally low although there is an increase in the extent of voluntary disclosures exhibited by Malaysian firms over the eleven-year time period. The empirical results show that ownership concentration is positively associated with voluntary disclosures. The findings imply that the presence of institutional and foreign investors in a firm pushes firms to voluntarily disclose more information in annual reports.

Lu et al. (2007) found that the ownership structure and information disclosures have positive relation. Lu et al. examined Taiwan companies and concerned with the set of reciprocal relationships between ownership structures, information disclosures, and corporate value. In this study, three Stage Least Squares (3SLS) models were used as a multivariate test to investigate the effect of each independent variable. This paper reveals that ownership structure has negative significance with information disclosures. This finding indicates that family controlled firms have little motivation to disclose information in excess of mandatory requirements because the demand for public disclosures is relatively weak in comparison with companies that have wider ownership.
Craig and Diga (1998) analyses corporate annual report disclosures in five ASEAN countries: Singapore, Indonesia, Malaysia, the Philippines and Thailand. A disclosures checklist and a model were used to analyze disclosures practices. This cross-section studies examined reporting practices of financial year ended 1993. The result states that the mean level of disclosures ranged from 51% (Indonesia) to 61% (Singapore). In average, only just over one-half of substantially common requirements across ASEAN were disclosed routinely in the annual reports of any ASEAN country.

This study draw on the previous studies to investigate factors that may influence voluntary disclosures practices of companies. These factors include firm-specific (size, leverage, profitability, type of audit firm, and liquidity) and ownership structure (foreign ownership and public ownership).

1. Ownership Structure

Ownership Concentration

A study by World Bank shows that the five largest shareholders in a sample of companies comprising over 50 percent of MYX (Malaysia Stock Exchange)’s market capitalization owned 60.4 percent of the outstanding shares and more than half of the voting shares. The same situation exists in Indonesia, as one of the developing capital markets in Asia. Prior empirical research document shows that disclosures are greater in firms with diffused ownership. Asian companies have concentrated ownership. Shareholders,
differing from western shareholders, require less for financial reports. So, the degree of voluntary disclosures in these companies is low (Tian and Chen, 2009). When a concentrated ownership exists, the majority of ownership is controlled by a small number of large, dominant shareholders who could play an important role in monitoring management. Hence, the lessen the agency cost the lower the extent of disclosures. This argument is also applicable in Singapore, as one of the developed countries. Practically, large shareholders have direct access to management which reduces the information gap between them. By being consistent with previous research, a hypothesis can be drawn: H1: the higher the percentage of shares held by top 5 shareholders, the lower the level of voluntary disclosures.

*Foreign ownership*

In Indonesia there are companies with foreign ownership majority, and mostly the foreign shareholders coming from countries with strong and developed capital markets, which tend to have better commitment in the protection of shareholders. Barako (2007) found that foreign ownership is significant with the extent of voluntary disclosures of Kenyan companies. On the contrary, Bogdan et al., (2008) found that companies with a majority of foreign ownership do not have a high level of voluntary disclosures.

Marwata (2006) argues that companies with foreign ownership face more pressure on demand of detailed information. Most of companies with foreign ownership are multinational subsidiaries, and the presence of
foreigners on boards may significantly influence their approach to corporate financial reporting to meet foreign reporting requirements. This study expects that company with foreign ownership majority to have a higher level of corporate reporting and voluntary disclosures. Hence, a hypothesis can be drawn:

H2: the higher the percentage of shares held by foreign shareholders, the higher the extent of voluntary disclosures.

2. Company Characteristics

Size

Size is an important variable and consistently found to be significant factor influencing the extent of voluntary disclosures in Kenya (Barako, 2007), United States (Botosan, 2000), Japan (Cooke, 1992), Malaysia (Hassan et al., 2007), Swedish (Cooke, 1989), Spain (Wallace et al., 1994), Asia Pacific (Kumar, et al., 2008), and United Kingdom and Dutch (Camfferman and Cooke, 2002). Size also found to be significant in the extent of disclosures in financially distressed companies (Wijantini, 2006).

Large companies may disclose more information than smaller ones for the following reasons:

1. The extent of disclosures leads to a lower cost of capital (Botosan, 1997).
2. Large companies have a greater exposure to public scrutiny and respond with increased disclosures (Camfferman and Cooke, 2002).

3. There are greater demands of large firms to provide information for customers, suppliers and analysts as well as the public in general (Cooke, 1998).

The voluntary disclosures are not a cheap price for the company. Therefore, large companies enjoy lower average cost held for the extensive disclosures. Based on the above discussion, the following hypothesis is tested:

H3: the larger the firm, the higher the extent of voluntary disclosures.

Leverage

In some countries, financial institutions are primary the source of company fund. Such firms tend to prepare detailed information to reduce asymmetry information to lessen the cost of debt (Francis, et al., 2005). A highly geared firm has a greater responsibility to satisfy the needs of long term creditors for information and so may provide more details in its annual report and account to meet those needs than a lower geared firm, assuming that the debt is raised in the securities market rather than from banks (Camfferman and Cooke, 2002).
Code-based country is typically associated with relatively weak investor protection. Consequently, firms are asserted to rely more heavily on private bank-based financing and to have more concentrated ownership structures as compared to firms under the common law regime (Seppänen, 2000). The market demand of disclosures about debt would be lower because information may be disseminated from insiders, particularly bank. Companies with a large sum of debt are an indication that those companies are trustable so that many financial institutions are willing to funding them. The already trustable companies are less likely to disclose detailed information to gain a trust from outsiders. This is consistent with the findings in Simanjuntak and Widiastuti (2004) and Kumar et al. (2008). The following hypothesis is examined:

H4: The higher the firm’s leverage, the lower the extent of voluntary disclosures.

Profitability

Wallace et al (1994) provide an empirical result that profitability influences the extent disclosures in annual reports. From the perspectives of signaling theory, a manager from profitable companies may disclose extent information as a signal to investors about the good future of the companies. Previous researches (e.g. Cooke, 1989) suggest that the soundness of a firm as represented by a high profitability can be expected to be associated with
greater disclosures. In light of the above discussion the following hypothesis is examined:

H5: The higher the firm’s profitability, the higher the extent of voluntary disclosures.

*Type of audit firm*

The disclosures literature suggests that the contents of annual reports may be influenced by the type of auditor. The distinction is usually drawn between the larger Big 4 auditors and non-Big 4 auditors. Wallace et al. (1994) suggest that the contents of annual reports and account are not only audited but also influenced by auditors. Auditors play an important role in determining the quality of information disclosed by their clients. Therefore, large audit firms are said to have an association with high quality reporting. The term “quality” has been used interchangeably with the term “transparency” (Hassan et al, 2007).

Auditor type is categorized into either affiliated with Big 4 or not. Big audit firms have many clients and more independent than smaller ones with a small number of clients. Big audit firms also face a big loss if they jeopardize their reputation. Thus big audit firms are likely to encourage company to satisfy the external users’ needs for reports. Based on the above discussion, the following hypothesis is examined:
H6: The extent of voluntary disclosures is higher for firms that are audited by the big four auditor firms.

*Liquidity*

Liquidity is a company ability to honor its short term obligations as they fall due. If liquidity is perceived in the market as a measure of performance, a firm with a low liquidity may need to give more details to explain its ‘weak’ performance than a firm with a high liquidity ratio (Wallace et al., 1994). Companies with a low liquidity would face unfavorably contingency events. Thus, company with illiquid situation is likely to disclose about its condition to mitigate litigation cost. However, it may also be argued that the sounder the financial condition of the firm, the greater incentives to disclose, to signal its condition to hyping the stock (e.g. Yuliansyah and Megawati, 2007; Cooke, 1989)

A study by Wijantini (2006) found that financially distressed companies in Indonesia show the result that liquidity achieves the lowest score on disclosures. Wijantini argued that the low score in liquidity disclosures reflects the unwillingness of the firm to publicize confidential information. Based on the above discussion, in this study, liquidity is associated positively with disclosures. Companies with unfavorably liquidity condition tend not to disclose it. The following hypothesis is tested:
H7: The higher the level of firm’s liquidity, the higher the extent of voluntary disclosures.

CHAPTER III
RESEARCH METHODS

A. Research Design

This research is focusing on voluntary disclosures on annual reports of companies listed in Indonesia Stock Exchange (IDX), MYX (Malaysia Stock Exchange) and Singapore Stock Exchange (SGX). This is a cross sectional studies, it means that the data were only taken once (the end of 2007). Independent variables in this research cover total assets (size), leverage ratio, liquidity ratio, ROE (profitability) and auditor type (Big 4/non-Big 4). Dependent variable is disclosures score which represents the extent of voluntary disclosures. This is an ex post facto study, researcher does not have any theorem on these variables. It means that (1) researcher does not have any ability to influence these variables (2) the nature of data are historical data.

B. Population and Sample
Population refers to the entire group of people, events, or things of interest that researcher wishes to investigate (Sekaran, 2000). Population of this research is annual reports of companies listed in Indonesia Stock Exchange (IDX), MYX (Malaysia Stock Exchange) and Singapore Stock Exchange (SGX) in 2007. These countries were chosen because of their differences in legal system and level of development.

This research conducted for one year (annual reports 2007) because firm policies on disclosures appear to remain relatively constant over time (Botosan, 1997). One type industry (manufacturing industry) was selected because different industries display different pattern of disclosures. Sample will to be taken from annual reports year end 2007 published by manufacturing companies listed in Indonesian Stock Exchange (IDX), MYX (Malaysia Stock Exchange) and Singapore Stock Exchange (SGX).

Sampling is the process of selecting sufficient number of elements from the population, so that by studying the samples, and understanding of the characteristics of the sample subjects, it would be possible to generalize the characteristics of the population elements (Sekaran, 2000). Purposive sampling is employed in this research. The use of purposive sampling is aimed at obtaining the representative samples along with researcher needs. For each company, the 2007 annual report was obtained from either stock exchange’s website or companies’ website. The criteria of sample are determined by:
1. The firm is a manufacturing company or at least manufacturing division is one of its core businesses.

2. Annual report is in English or at least has the English version.

3. Annual report is available in either stock exchange’s website or companies’ website.

The initial samples were chosen randomly for 150 annual reports (50 to each country). If the annual report does not meet those criteria then the firm was excluded from the sample.

C. Operational definition and Measurement of Variables

1. Dependent Variable: Voluntary Disclosures

For the purpose of this research, voluntary disclosures defined as the discretionary release of financial and nonfinancial information through annual report over and above mandatory requirement (Barako, 2007).

A content analysis through company’s annual report will be done to measure the extent of voluntary disclosures. There are several alternatives to do the content analysis ex: disclosures index studies, subjective ratings (by experts), thematic and meaning-oriented content analysis (where the whole text is analyzed). This research uses disclosures index (semi-objective content
analysis) to measure the content of voluntary disclosures on companies’ annual report. Although, the construction of disclosures indices inevitably involves subjective judgment, it has proved to be a valuable research tool that will continue to be used as long as company disclosures is a focus of research (Beattie, McInnes and Fearnley, 2004).

Scoring the voluntary disclosures items

There are two main approaches to develop a scoring scheme to capture level of disclosures. Researcher could cite the number of words used to describe an item disclosed. Such an approach leads to a scale of disclosures which varies between zero and one. However, the allocation of scores along the continuum is somewhat subjective (Cooke, 1989). The alternative approach, and that adopted in this study, uses a dichotomous procedure, in which one point is awarded for disclosed items, zero otherwise. This research uses Botosan scoring sheet as an initial framework to measure voluntary disclosures in Indonesia. Botosan defines the extent of disclosures into five categories: background information, summary of historical result, key non-financial information, projected information and management discussion and analysis. A screening through the items will be done to exclude those lists that include in mandatory list. The result is the list of voluntary disclosures items in each country. Botosan index is employed because of several reasons. Firstly, it can be applied to firms of any size and it scores consistently for single-segment
and multi-segment firms (Wijantini, 2006). Secondly, Botosan index is found to have correlation with firm characteristic, thus Botosan index is sufficient to measure disclosures level (Botosan, 1997). Botosan index is an unweighted disclosures scoring sheet. This approach is most appropriate when no importance is given to any specific user-groups (Cooke, 1989). The total disclosures (TD) scores for a company are:

\[ TD_j = \sum_{i=1}^{5} \text{SCORE}_{ij} \]

Summing the total number of points awarded to firm j for category i across all category i=1,5 produce a TD for each company.

**Disclosures index**

After all items have been scored, an index is created to measure the relative level of disclosures by a company. The disclosures score (DSCORE) is calculated as follows:

\[ \text{DSCORE}_j = \frac{TD}{\text{Firm's total possible disclosures score}} \]

2. Independent Variables

a) Ownership structure
Ownership concentration is measured based on the percentage of shares owned by top five shareholders to total number of shares issued. This measurement is consistent with Ho (2008).

Foreign ownership is measured based on the percentage of shares owned by foreigners to total number of shares issued. Foreigners are a foreign company or foreign person who holds company’s shares. This measurement is consistent with Marwata (2006).

b) Size of the firm

Cooke (1989) suggests that whether size measured by total assets, annual sales or number of shareholders, it will give the same result. In this study total asset is chosen to proxy size of the firms. This is consistent with several prior researches (e.g. Camfferman and Cooke, 2002).

c) Profitability

Profitability constructs are measured by return on equity (ROE) ratio. Kusumawati (2006) argued that ROE is suitable to measure the profitability of company. ROE is in line with the objective mandatory GCG codes which give priority to the firm value to shareholders. ROE shows firm ability to generate profit from its stockholders equity. ROE is a bottom line measure for the shareholders, measuring the profits earned for each dollar invested in the firm’s stock. ROE is calculated by dividing net
income (earnings after tax) with stockholders equity. ROE formula is as follows:

$$\text{ROE} = \frac{\text{Net Income}}{\text{Total Equity}}$$

d) Liquidity

Liquidity indicates firms’ ability in settlement of its current liabilities. This ratio is particular interest of those extending short-term credit to the firm. Liquidity constructs are measured by current ratio. Current ratio is a common proxy of liquidity in disclosures literature (e.g. Yuliansyah and Megawati, 2007). Current ratio formula is as follows:

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

e) Leverage

Leverage ratio indicates the extent to which the business relies on debt financing. This ratio provides an indication of the long-term solvency of the firm. In this study leverage is measured by debt ratio. This is consistent Lesmana (2006). Debt ratio formula is as follows:

$$\text{Debt ratio} = \frac{\text{Total debt}}{\text{Total assets}}$$

f) Type of audit firm
Type of audit firm is whether company employs an audit firm that has an affiliation with one of Big Four audit firm, among of these are Hadi Susanto and partners and Haryanto Sahari and partners (PricewaterhouseCoopers), Hans Tuannakota and Mustofa and Osman Ramli Satrio and partners (Deloitte and Touch), Sarwoko, Sandjaja and partner (Ernest and Young), and Siddharta and Harsono (KPMG Peat Marwick). Audit firm status is dummy, 1 if affiliated; 0 otherwise (Kusumawati, 2007)

Table III.1
Summary of Operational Definitions of Variables

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>Operational definition</th>
<th>Source of information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership structure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ownership concentration</td>
<td>percentage of ordinary shares held by top five shareholders to total number of shares issued</td>
<td>Company Annual Reports</td>
</tr>
<tr>
<td>Foreign ownership</td>
<td>Percentage of shares owned by foreigners to total number of shares issued</td>
<td>Company Annual Reports</td>
</tr>
<tr>
<td>Firm characteristics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Size</td>
<td>Natural log of total assets</td>
<td>Company Annual</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th></th>
<th>Reports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leverage</td>
<td>Debt ratio defined as total debt to total assets</td>
</tr>
<tr>
<td></td>
<td>Company Annual Reports</td>
</tr>
<tr>
<td>Profitability</td>
<td>Return on Equity (ROE) defined as profit after tax to total stockholders equity.</td>
</tr>
<tr>
<td></td>
<td>Company Annual Reports</td>
</tr>
<tr>
<td>External audit firm</td>
<td>Affiliated with Big four vs. Non-affiliated i.e. 1 for affiliated 0 otherwise.</td>
</tr>
<tr>
<td></td>
<td>Company Annual Reports</td>
</tr>
<tr>
<td>Liquidity</td>
<td>Current asset to current liabilities</td>
</tr>
<tr>
<td></td>
<td>Company Annual Reports</td>
</tr>
</tbody>
</table>

### D. Source and Data Collecting Technique

Data used in this research is a secondary data, which is consist of:

1. List of manufacturing industry in 2007 is taken from either from Capital Market Directory or Stock Exchange Website.

2. Voluntary disclosures measurement is based on annual reports disclosures.

3. Company characteristics (size, leverage, liquidity, profitability and type of auditor) and ownership structures (foreign ownership and ownership concentration) are taken from annual reports of companies.
E. Data Analysis Methods

To test the hypotheses, this study employs multiple regressions analysis. The use of multiple linear regressions is to test the hypothesis whether there is a significant influence of ownership structures (ownership concentration and foreign ownership) and firm characteristics (size, leverage, type of audit firm, profitability, and liquidity) on voluntary disclosures. The following multiple regression equation is given below:

\[
\text{DSCORE} = \beta_0 + \beta_1 \text{OWC} + \beta_2 \text{FRO} + \beta_3 \text{SIZE} + \beta_4 \text{LEV} + \beta_5 \text{PROFIT} + \beta_6 \text{AUDIT} + \beta_7 \text{LIQ} + \epsilon
\]

- DSCORE: disclosures index score
- OWC: ownership concentration
- FRO: foreign ownership
- SIZE: company’s size, log of total assets at the end of period
- LEV: leverage
- PROFIT: profitability
- AUDIT: external auditor firm (dummy, 1 if Big-Four; 0 otherwise)
LIQ : liquidity

\(\beta_i\) : parameters \((i= 0,1,2,3,\ldots,8)\)

\(\varepsilon\) : error term

Assumptions for multiple regressions were tested in ensuring the validity of analyses results and some of the assumptions were violated. Hence, transformations of the variables were done which involves logarithms as follow:

1. Indonesian Model

\[
DSCORE = \beta_0 + \beta_1\text{OWC} + \beta_2\text{FRO} + \beta_3\text{SIZE} + \beta_4\text{LEV} + \beta_5\text{PROFIT} + \beta_6\text{AUDIT} + \beta_7\text{LIQ} + \varepsilon
\]

2. Malaysian Model

\[
DSCORE = \beta_0 + \beta_1(\text{OWC}_{\log}) + \beta_2(\text{FRO}_{\log}) + \beta_3(\text{SIZE}_{\log}) + \beta_4\text{LEV} + \beta_5(\text{PROFIT}_{\log}) + \beta_6\text{AUDIT} + \beta_7(\text{LIQ}_{\log}) + \varepsilon
\]

3. Singapore Model

\[
DSCORE = \beta_0 + \beta_1\text{OWC} + \beta_2(\text{FRO}_{\log}) + \beta_3(\text{SIZE}_{\log}) + \beta_4\text{LEV} + \beta_5(\text{PROFIT}_{\log}) + \beta_6\text{AUDIT} + \beta_7(\text{LIQ}_{\log}) + \varepsilon
\]

A comparative approach is adopted to assess the comprehensiveness of disclosures specified in 2007 annual reports of Indonesia, Malaysia and Singapore companies. The total disclosures model is analyzed by comparing 5 types of
disclosures and a total of 51 (Indonesia), 63 (Malaysia) and 61 (Singapore) disclosures items. Disclosures score is calculated for each one of the 135 companies, and these scores are used to establish whether disclosures are related to company-characteristics, by using separate regression analysis in each country.

SPSS 16.0 for Windows is used as an analytical data tool to test the regression model. Theoretically, the model will give the valid value if classical assumption tests are fulfilled. Before hypotheses are tested, four classical assumption tests were done, they are:

1. Normality test

Normality test is used to determine whether or not the data set is well-modeled by a normal distribution, or to compute how likely an underlying random variable is to be normally distributed. T-test and F-test is done with underlying assumption that residual value is normally distributed. If this assumption does not meet, statistical test is not valid in the case of small samples. Kolmogorov-smirnov test is applied to test this assumption. Criteria that operate in this test are two tail tests, comparing p-value with significance level (1%, 5%, or 10%). This study chose 5% of significance level in normality test. If p-value >0.05, data are normally distributed. In residual normality test, regression is done without ignoring normality. Residual variables turn up to be new variables. Finally, normality test is done against residual variable with Kolmogorov-smirnov test.
2. Multicollinearity test

Multicollinearity test is used to determine whether two or more independent variables in a multiple regression model are highly correlated. Multicollinearity inflates the standard errors, making it impossible to determine the relative importance of the predictors. In other words, the coefficients will be unreliable. Tolerance value and variance inflation factors (VIF) could provide measurement to detect if multicollinearity exits. These measurements can show which independent variables are explained by other independent variables. If tolerance value is more than 0.05 and VIF is less than 5, then multicollinearity exits. The same situation exits if tolerance value is less than 0.05 and VIF more than 5.

3. Autocorrelation test

Autocorrelation test is used to determine whether there is a correlation between values of the process at different points in time, as a function of the two times or of the time difference. Autocorrelation inflates t-statistics by underestimating the standard errors of the coefficients. Hypothesis testing will, therefore, lead to incorrect conclusions. Estimators have no longer have minimum variance, but they will remain unbiased. Autocorrelation problem usually occurs in time-series data, in cross section study this problem rarely occurs. In this study Durbin-Watson test is applied to test these hypotheses:
H0: There are no autocorrelation \((r = 0)\)

H1: There are autocorrelation \((r \neq 0)\)

The decision rule is applied to determine whether autocorrelation exits as described below:

**Table III.2**

Autocorrelation Decision Rule

<table>
<thead>
<tr>
<th>Null Hypotheses</th>
<th>Decision</th>
<th>If</th>
</tr>
</thead>
<tbody>
<tr>
<td>There are no positive autocorrelation</td>
<td>Reject</td>
<td>(0 &lt; d &lt; dl)</td>
</tr>
<tr>
<td>There are no positive autocorrelation</td>
<td>No decision</td>
<td>(dl \leq d \leq du)</td>
</tr>
<tr>
<td>There are no negative correlation</td>
<td>Reject</td>
<td>(4 - dl &lt; d &lt; 4)</td>
</tr>
<tr>
<td>There are no negative correlation</td>
<td>No decision</td>
<td>(4 - du \leq d \leq 4 - dl)</td>
</tr>
<tr>
<td>There are no positive or autocorrelation</td>
<td>No reject</td>
<td>(du &lt; d &lt; 4 - du)</td>
</tr>
</tbody>
</table>

4. Heteroscedasticity test
Heteroscedasticity test is used to determine whether the variance of the error terms differ across observations. Heteroscedasticity results in inefficient estimators and biased standard errors, rendering the t-tests and confidence intervals unreliable. Heteroscedasticity arises most often with cross-sectional data. Glejser test is done to examine the existence of Heteroscedasticity. Heteroscedasticity exists if the independent variables influence the dependent variables significantly (probability 5%).

CHAPTER IV
DATA ANALYSIS

Based on the sample criteria discussed above, this study has obtained 135 final samples. In Indonesia, the sum of companies that have already had a website is relatively low. In case they do, not all of them provide an investors relationship space, including a direct downloadable link to their annual reports. Practically, there are some companies that publish their annual reports to public, well some others do not.
As stated in the previous chapter, 50 (fifty) manufacturing companies were chosen randomly from each country. In the case of Indonesia, researcher assures the availability of annual reports firstly, both from IDX and companies’ website. Manufacturing companies’ data are taken from stock exchange website. The process of sample selection is described in Table IV.1.

Table IV.1
Sample Selection

<table>
<thead>
<tr>
<th>Country</th>
<th>Total manufacturing companies</th>
<th>Final samples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Malaysia</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>279</td>
<td>50</td>
</tr>
<tr>
<td><strong>Singapore</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>327</td>
<td>50</td>
</tr>
<tr>
<td><strong>Indonesia</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>142</td>
<td>(107)</td>
</tr>
<tr>
<td>Unavailable annual reports</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Final samples</td>
<td></td>
<td>35</td>
</tr>
<tr>
<td>Total samples</td>
<td></td>
<td>135</td>
</tr>
</tbody>
</table>
From sample selection process, it reveals that there are only 35 manufacturing companies in Indonesia that publicize their annual report via internet. Thus, researcher judges that all of 35 manufacturing companies are included in the samples. In the case of Singapore, researcher found out that from 50 companies, 8 annual reports stated their currencies in others currencies instead of Singaporean dollars (e.g. RMB). For that reasons, researcher run the second random selecting to fill sample quota. Eight companies were randomly selected from the rest of 277 companies. Analysis of data employed SPSS 16.0 for Windows to do multiple regressions, which is performed to each country.

A. Descriptive Statistic Analysis

Indonesia

Table IV.2 provides the descriptive statistics of the voluntary disclosure index and firms characteristics. Average total score that is achieved in Indonesia is 19.26. The highest score is 32 (PT. Indocement Tbk.) and the lowest score is 10 (PT. Perdana Bangun Pusaka Tbk.). It can be seen that the mean aggregate of disclosure is only 18.9%. Whereas the lowest disclosure score is 9.8% (PT. Tira Austinate Tbk.) and the highest disclosure score is 31.4% (PT Indocement Tunggal Prakarsa Tbk.). The average size of the firm is Rp 6.560.000.000.000. PT. Astra International Tbk. has the highest size of Rp 63.500.000.000.000 while PT. AKR Corporindo Tbk. has the lowest size of Rp 3.500.000.000. The average ownership concentration is 73.4%, it means that more than half issued stocks are
owned by top five shareholders. PT. United Tractors Tbk. has the highest ownership concentration of 98% while PT. Voksel Electric Tbk. reaches the lowest ownership concentration of 38.4%. The average foreign ownership is 36.2%. PT. HM Sampoerna Tbk. has the highest foreign ownership of 98% while some companies has the lowest foreign ownership of 0% (e.g. PT. Indofarma Tbk., PT Lautan Luas Tbk.). The average leverage of the firm is 53.5%. PT. Gema Grahasarana Tbk. has the highest leverage of 82% while PT. ACE Hardware Indonesia Tbk. has the lowest leverage of 16.7%. The average liquidity of the firm is 1,9. PT. ACE Hardware Indonesia Tbk. has the highest liquidity of 5,54 while PT. Multi Bintang Indonesia Tbk. has the lowest liquidity of 0,59. The average profitability of the firm is 15%. PT. Unilever Indonesia Tbk. has the highest ROE of 73% while PT. Perdana Bangun Pusaka Tbk. has the lowest ROE of -7.6%. The average score for audit type is 0,771. It means that most companies employ Big Four audit firm.

Table IV.2
Descriptive Statistics-Indonesia

<table>
<thead>
<tr>
<th>VARIABLE</th>
<th>MEAN</th>
<th>STD.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Score</td>
<td>19.26</td>
<td>5.705</td>
</tr>
<tr>
<td>Disclosure Score</td>
<td>0.189</td>
<td>0.559</td>
</tr>
<tr>
<td>Size</td>
<td>6.56.10^{12}</td>
<td>1.219.10^{13}</td>
</tr>
<tr>
<td>Ownership Concentration</td>
<td>0.734</td>
<td>0.169</td>
</tr>
<tr>
<td>Foreign Ownership</td>
<td>0.362</td>
<td>0.327</td>
</tr>
</tbody>
</table>
Table IV.3 presents a summary of the company’s voluntary disclosure scores for each category of information. Generally, the voluntary disclosure scores show that the level of disclosure for all categories of information is low. ‘Management and Discussion Analysis’ is the most disclosed item in annual reports, whereas ‘Summary of Historical Result’ has the lowest rank.

Table IV.3

Descriptive Statistics of Disclosure Items-Indonesia

<table>
<thead>
<tr>
<th>VARIABLE</th>
<th>MEAN</th>
<th>STD. DEVIASI</th>
<th>MINIMUM</th>
<th>MAXIMUM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Background Information</td>
<td>4,800</td>
<td>1,659</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>Summary of historical result</td>
<td>0,000</td>
<td>0,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Non-financial information</td>
<td>4,057</td>
<td>2,850</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>Projected information</td>
<td>3,057</td>
<td>1,494</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>MD&amp;A</td>
<td>7,400</td>
<td>3,336</td>
<td>2</td>
<td>14</td>
</tr>
</tbody>
</table>

source: data processing

Malaysia

Table IV.4 provides the descriptive statistics of the voluntary disclosure index and firms characteristics. Average totals score achieve in Malaysia is 17.76. The highest score is 39 (Pharmaniaga Berhad) and the lowest score is 7 (Polyglass
Berhad). It can be seen that the mean aggregate voluntary disclosure index (VDI) is only 14.1%. Whereas the lowest disclosure score is 5.6% (Polyglass Berhad) and the highest disclosure score is 30.9% (Pharmaniaga Berhad). The average size of the firm is RM 6,826,800,000. Titan Ceramics Berhad has the highest size of RM 5,940,000,000 and Federal Furniture Berhad has the lowest size of RM 5,390,000. The average ownership concentration is 55.9%, it means that more than a half issued stock are owned by top five shareholders. Pharmaniaga Berhad has the highest ownership concentration of 88.4% and Daibochi Berhad reach the lowest ownership concentration of 19.2%. The average foreign ownership is 11.7%. Panasonic Berhad has the highest foreign ownership of 83.5% and some companies has the lowest foreign ownership of 0% (e.g. Haisan Bhd, Furniweb Bhd, BP Plastics Bhd, Chee Wah Bhd, Eurospan Bhd). The average leverage of the firm is 42.6%. Hwa Tai Berhad has the highest leverage of 78% and Tasek Berhad has the lowest leverage of 5.4%. The average liquidity of the firm is 2.251. Classic Science Berhad has the highest liquidity of 10.16 and Haisan Berhad has the lowest size of 0.74. The average profitability of the firm is 16.3%. BAT Berhad has the highest ROE of 78% and Cepco Berhad has the lowest ROE of -10.3%. The average score for audit type is 0.8. It means that most companies employ Big Four audit firm.

Table IV.4
Descriptive Statistics-Malaysia
Table IV.5 presents a summary of the company’s voluntary disclosure scores for each category of information. Generally, the voluntary disclosure scores show that the level of disclosure for all categories of information is low. ‘Background Information’ is the most disclosed item in annual reports, whereas ‘Summary of Historical Result’ has the lowest rank.
source: data processing

Singapore

Table IV.5 provides the descriptive statistics of the voluntary disclosure index and firms characteristics. An average total score achieves in Singapore is 18.9. The highest score is 32 (Singapore Cerebos Pacific Limited.) and the lowest score is 9 (Lereno Bio-Chem Ltd). It can be seen that the mean aggregate voluntary disclosure index (VDI) is only 15.8%. Whereas the lowest disclosure score is 7.5% (Lereno Bio-Chem Ltd) and the highest disclosure score is 26.7% (Singapore Cerebos Pacific Limited). The average size of the firm is 5,6091E8. Fraser & Neave Ltd. has the highest size of 1,29E10 and HUP Steel Ltd. has the lowest size of 2,27E7. The average ownership concentration is 59.7%, it means that more than a half issued stock are owned by top five shareholders. Singapore Cerebos Pacific Limited has the highest ownership concentration of 90.6% and EastGate Technology Ltd. reach the lowest ownership concentration of 13%. The average foreign ownership is 8%. Cerebos Pacific Limited has the highest foreign ownership of 83.3% and some companies has the lowest foreign ownership of 0%. (e.g. Armstrong Ltd. and Eurotronics Ltd.) The average leverage of the firm is 46.9%. Giken Ltd. has the highest leverage of 85.5% and Hawpar Ltd. has the lowest leverage of 5%. The average liquidity of the firm is 2,094. Hawpar Ltd. has the highest liquidity of 12,56 and Lereno Ltd. has the lowest liquidity of 0,37. The average profitability of the firm is 1%. Westech Ltd. has the highest ROE of
30% and Ultro Ltd. has the lowest ROE of -181%. The average score for audit type is 0.74. It means that most companies employ Big Four audit firm.

Table IV.6
Descriptive Statistics-Singapore

<table>
<thead>
<tr>
<th>VARIABLE</th>
<th>MEAN</th>
<th>STD. DEVIASI</th>
<th>MINIMUM</th>
<th>MAXIMUM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Score</td>
<td>18.9</td>
<td>5.75</td>
<td>9</td>
<td>32</td>
</tr>
<tr>
<td>Disclosure Score</td>
<td>0.158</td>
<td>0.45</td>
<td>0.075</td>
<td>0.267</td>
</tr>
<tr>
<td>Size</td>
<td>5.609.10^8</td>
<td>1.847.10^9</td>
<td>2.27.10^7</td>
<td>1.29.10^10</td>
</tr>
<tr>
<td>Ownership Concentration</td>
<td>0.597</td>
<td>0.192</td>
<td>0.130</td>
<td>0.906</td>
</tr>
<tr>
<td>Foreign Ownership</td>
<td>0.080</td>
<td>0.175</td>
<td>0.000</td>
<td>0.833</td>
</tr>
<tr>
<td>Leverage</td>
<td>0.469</td>
<td>0.189</td>
<td>0.050</td>
<td>0.855</td>
</tr>
<tr>
<td>Liquidity</td>
<td>2.094</td>
<td>2.05</td>
<td>0.370</td>
<td>12.560</td>
</tr>
<tr>
<td>Profitability</td>
<td>0.010</td>
<td>0.381</td>
<td>-1.810</td>
<td>0.300</td>
</tr>
<tr>
<td>Type of Audit firm</td>
<td>0.740</td>
<td>0.443</td>
<td>0.000</td>
<td>1.000</td>
</tr>
</tbody>
</table>

source: data processing

Table IV.7 presents a summary of the company’s voluntary disclosure scores for each category of information. Generally, the voluntary disclosure
scores show that the level of disclosure for all categories of information is low. ‘Management Discussion and Analysis’ is the most disclosed item in annual reports, whereas ‘Projected Information’ has the lowest rank.

Table IV.7
Descriptive Statistics of Disclosure Items-Singapore

<table>
<thead>
<tr>
<th>VARIABLE</th>
<th>MEAN</th>
<th>STD. DEVIASI</th>
<th>MINIMUM</th>
<th>MAXIMUM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Background Information</td>
<td>5,140</td>
<td>2,000</td>
<td>1,00</td>
<td>9,00</td>
</tr>
<tr>
<td>Summary of historical result</td>
<td>2,420</td>
<td>1,751</td>
<td>0,00</td>
<td>8,00</td>
</tr>
<tr>
<td>Non-financial information</td>
<td>2,560</td>
<td>2,101</td>
<td>2,00</td>
<td>12,00</td>
</tr>
<tr>
<td>Projected information</td>
<td>1,800</td>
<td>1,278</td>
<td>0,00</td>
<td>14,00</td>
</tr>
<tr>
<td>MD&amp;A</td>
<td>6,980</td>
<td>3,793</td>
<td>0,00</td>
<td>8,00</td>
</tr>
</tbody>
</table>

source: data processing

Levels of voluntary disclosure vary across three countries, average level of voluntary disclosure and disclosed items are as follow:

Table IV.8
Level of voluntary disclosure in Indonesia, Malaysia and Singapore

<table>
<thead>
<tr>
<th></th>
<th>Indonesia</th>
<th>Malaysia</th>
<th>Singapore</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Average Level of Voluntary Disclosure

<table>
<thead>
<tr>
<th></th>
<th>Indonesia</th>
<th>Malaysia</th>
<th>Singapore</th>
</tr>
</thead>
<tbody>
<tr>
<td>18,19%</td>
<td>14,1%</td>
<td>15,8%</td>
<td></td>
</tr>
</tbody>
</table>

source: data processing

Table IV.9

<table>
<thead>
<tr>
<th>VARIABLE</th>
<th>Indonesia</th>
<th>Malaysia</th>
<th>Singapore</th>
</tr>
</thead>
<tbody>
<tr>
<td>Background Information</td>
<td>4,800</td>
<td>5,220</td>
<td>5,140</td>
</tr>
<tr>
<td>Summary of historical results</td>
<td>0,000</td>
<td>2,360</td>
<td>2,420</td>
</tr>
<tr>
<td>Non-financial information</td>
<td>4,057</td>
<td>3,760</td>
<td>2,560</td>
</tr>
<tr>
<td>Projected information</td>
<td>3,057</td>
<td>2,640</td>
<td>1,800</td>
</tr>
<tr>
<td>MD&amp;A</td>
<td>7,400</td>
<td>3,780</td>
<td>6,980</td>
</tr>
</tbody>
</table>

source: data processing

The most and the lowest disclosed items vary across three countries. In Indonesia, the most disclosed item is ‘Management and Discussion Analysis’ while the lowest disclosed item is ‘Summary of Historical Results’ (no company disclosed summary of more than five year historical result). In Malaysia the most
disclosed item is ‘Background Information’ while the lowest disclosed item is ‘Summary of Historical Results’. In Singapore, the most disclosed item is ‘Management and Discussion Analysis’ while the lowest disclosed item is ‘Projected Information’. ‘Summary of Historical Information’ and ‘Projected Information’ are relatively found to be less disclosed in three countries.

The result of descriptive statistics in level of voluntary disclosure is surprising. Indonesia is in the first place followed by Singapore and Malaysia. This is different from similar comparison study in South East Asia. Study by Craig and Diga (1998) conducted in ASEAN countries reveal that Indonesian companies disclosed less significantly than companies in Malaysia and Singapore. Most of similar studies place Singapore in the first rank followed by Malaysia and Indonesia.

This result is somewhat consistent with the fact that Indonesian capital market has been bullish of lately. Its stock market gained more than 50 percent in 2007, making it as the Southeast Asia's best performer, third-best after China (around 7-8%) and India (around 6-7%) and the fifth-best worldwide (IDX press release, 2007). The extent of disclosure is proven to have impact on lower cost of equity (Botosan, 1997). It means that voluntary disclosure could mitigate agency problem and asymmetric information in capital market. Hence, it increases capital market efficiently. In fact, in average, annual reports in Indonesian companies have 130 pages while those of Malaysia and Singapore have 100 pages.
The extent of voluntary disclosure in Indonesia could be viewed in its relation with mandatory requirements. Based on Asian Development Bank (ADB) assessments of financial reporting regulation in the ASEAN countries, Indonesia has a poor accounting regulation. The same result is claimed by Wulandari and Rahman (2004) who conducted a cross country study in accounting standards quality. Wulandari and Rahman (2004) found that most countries that have low ranks for ARE (Accounting Regulatory Environment) are code law countries. This suggests that code law countries have weak accounting regulatory environments, i.e Indonesia. Einhorn (2005) argues that the incentives of managers to voluntarily disclose information relates to the quality of mandatory disclosure. The terms ‘quality of mandatory disclosure’ is in line with financial reporting regulation. Further, Einhorn (2005) suggests that the likelihood of information being voluntarily disclosed and the quality of mandatory disclosure are negatively related in a low-quality mandatory reporting environment, but positively related in a rich mandatory disclosure environment.

Indonesia is categorized as a code-law country with poor financial reporting standards. Poor financial reporting leads to increase in asymmetric information between preparers and users of financial reports (Wulandari and Rahman, 2004). This situation might push Indonesian companies to provide more information on voluntary basis to offset the poor mandatory financial reporting. The point is mandatory disclosure requirements play a key role in determining
firms’ voluntary disclosure policies in Indonesia, in opposite direction. This opposite relationship between mandatory and voluntary disclosure does not exist in Malaysia and Singapore. As stated above, this opposite relationship does not exist in rich or good mandatory disclosure environment countries, i.e. Singapore and Malaysia. The fact that Malaysia and Singapore are categorized as a country with good accounting regulation means that good quality of mandatory disclosure is in the same direction as the extent of voluntary disclosure.

Firm characteristics in Indonesia, Malaysia and Singapore are similar. Most companies are characterized by high ownership concentration and high leverage. This is consistent with the fact that Indonesia, Malaysia and Singapore rely on bank financing. High ownership concentration is characterized by family relationship. Most of companies employ Big 4 auditor as an external auditor of their companies. Level of profitability in countries discussed relatively low, range between 10% and 16%. This condition is not much different in last ten years. Study by Claessens et al (1998) argues that the combination of high investment and relatively low profitability in some countries means that much external financing was needed. As outside equity was used sparingly, partly as stock markets were depressed or because insiders preferred to retain control, leverage was high in most East Asian countries and was increasing in Korea, Malaysia and Thailand.
B. Classic Assumption Analysis

a. Normality Test

Normality test is applied to nondummy variable. Significance level in this study is 5 %. Normality test to each variable is done using normality measurement on residual value of each variable. Summary of normality test result of each country is described below:

Table IV.10

<table>
<thead>
<tr>
<th>Variable</th>
<th>Asymp.Sig.(2-tailed)</th>
<th>Normally Distributed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disclosure Score</td>
<td>0.807</td>
<td>Yes</td>
</tr>
<tr>
<td>Ln Size</td>
<td>0.692</td>
<td>Yes</td>
</tr>
<tr>
<td>Ownership Concentration</td>
<td>0.723</td>
<td>Yes</td>
</tr>
<tr>
<td>Foreign Ownership</td>
<td>0.209</td>
<td>Yes</td>
</tr>
<tr>
<td>Leverage</td>
<td>0.479</td>
<td>Yes</td>
</tr>
<tr>
<td>Ln Liquidity</td>
<td>0.120</td>
<td>Yes</td>
</tr>
<tr>
<td>Profitability</td>
<td>0.200</td>
<td>Yes</td>
</tr>
</tbody>
</table>

source: data processing

Table IV.11

<table>
<thead>
<tr>
<th>Variable</th>
<th>Asymp.Sig.(2-tailed)</th>
<th>Normally Distributed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disclosure Score</td>
<td>0.614</td>
<td>Yes</td>
</tr>
</tbody>
</table>
### Table IV.12

<table>
<thead>
<tr>
<th>Variable</th>
<th>Asymp.Sig.(2-tailed)</th>
<th>Normally Distributed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disclosure Score</td>
<td>0.493</td>
<td>Yes</td>
</tr>
<tr>
<td>Ln Size</td>
<td>0.380</td>
<td>Yes</td>
</tr>
<tr>
<td>Ownership Concentration</td>
<td>0.895</td>
<td>Yes</td>
</tr>
<tr>
<td>Ln Foreign Ownership</td>
<td>0.324</td>
<td>Yes</td>
</tr>
<tr>
<td>Leverage</td>
<td>0.984</td>
<td>Yes</td>
</tr>
<tr>
<td>Ln Liquidity</td>
<td>0.364</td>
<td>Yes</td>
</tr>
<tr>
<td>Ln Profitability</td>
<td>0.377</td>
<td>Yes</td>
</tr>
</tbody>
</table>

source: data processing

Overall results of normality test are shown a good normality level. All variables are normally distributed. Each variable reaches the significance level greater than 0.05. It may be concluded that data are normally distributed, then they are data ready to process.
b. Multicollinearity test

Table IV.13
Multicollinearity Test Result-Indonesia

<table>
<thead>
<tr>
<th>Variable</th>
<th>Tolerance</th>
<th>VIF</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size</td>
<td>0.881</td>
<td>1.135</td>
<td>No Multicollinearity exists</td>
</tr>
<tr>
<td>Ownership Concentration</td>
<td>0.938</td>
<td>1.065</td>
<td>No Multicollinearity exists</td>
</tr>
<tr>
<td>Foreign Ownership</td>
<td>0.743</td>
<td>1.346</td>
<td>No Multicollinearity exists</td>
</tr>
<tr>
<td>Leverage</td>
<td>0.431</td>
<td>2.320</td>
<td>No Multicollinearity exists</td>
</tr>
<tr>
<td>Liquidity</td>
<td>0.423</td>
<td>2.363</td>
<td>No Multicollinearity exists</td>
</tr>
<tr>
<td>Profitability</td>
<td>0.750</td>
<td>1.335</td>
<td>No Multicollinearity exists</td>
</tr>
<tr>
<td>Type of audit firm</td>
<td>0.837</td>
<td>1.195</td>
<td>No Multicollinearity exists</td>
</tr>
</tbody>
</table>

source: data processing

Table IV.14
Multicollinearity Test Result-Malaysia

<table>
<thead>
<tr>
<th>Variable</th>
<th>Tolerance</th>
<th>VIF</th>
<th>Conclusion</th>
</tr>
</thead>
</table>
Based on multicollinearity test that has been done, overall result shows that Tolerance Value is greater than 0.05 and Varian Inflation Factor (VIF) is smaller than 5. It can be concluded that multicollinearity problem does not exist among independent variables in this study in each country.
c. Autocorrelation test

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>d</th>
<th>Du</th>
<th>Dl</th>
<th>Analyze</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disclosure Score-Indonesia</td>
<td>1,861</td>
<td>1,829</td>
<td>1,474</td>
<td>du &lt; d &lt; 4 – du</td>
<td>No Autocorrelation exists</td>
</tr>
<tr>
<td>Disclosure Score-Malaysia</td>
<td>2,050</td>
<td>1,829</td>
<td>1,474</td>
<td>du &lt; d &lt; 4 – du</td>
<td>No Autocorrelation exists</td>
</tr>
<tr>
<td>Disclosure Score-Singapore</td>
<td>1,817</td>
<td>1,829</td>
<td>1,474</td>
<td>dl ≤ d ≤ du</td>
<td>Inconclusive</td>
</tr>
</tbody>
</table>

Source: data processing

Overall result shows that there are no autocorrelation problems existing among the independent variables. In the case of Singapore d value falls in no decision area. It means that the test result does not offer any conclusion or inconclusive. However, the existence of autocorrelation problems relies on
researcher judgments. In this study, researcher decides that there are no autocorrelation among the independent variables in regression model.

d. Heteroscedasticity test

Table IV.17
Heteroscedasticity Test Result-Indonesia

<table>
<thead>
<tr>
<th>Variable</th>
<th>Sig</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>0.002</td>
<td></td>
</tr>
<tr>
<td>Size</td>
<td>0.007</td>
<td>heteroscedasticity exists</td>
</tr>
<tr>
<td>Ownership Concentration</td>
<td>0.218</td>
<td>No heteroscedasticity exists</td>
</tr>
<tr>
<td>Foreign Ownership</td>
<td>0.406</td>
<td>No heteroscedasticity exists</td>
</tr>
<tr>
<td>Leverage</td>
<td>0.403</td>
<td>No heteroscedasticity exists</td>
</tr>
<tr>
<td>Liquidity</td>
<td>0.532</td>
<td>No heteroscedasticity exists</td>
</tr>
<tr>
<td>Profitability</td>
<td>0.794</td>
<td>No heteroscedasticity exists</td>
</tr>
<tr>
<td>Type of audit firm</td>
<td>0.281</td>
<td>No heteroscedasticity exists</td>
</tr>
</tbody>
</table>

source: data processing

Table IV.18
Heteroscedasticity Test Result-Malaysia
Table IV.19

Heteroscedasticity Test Result-Singapore

<table>
<thead>
<tr>
<th>Variable</th>
<th>Sig</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>0.202</td>
<td>No heteroscedasticity exists</td>
</tr>
<tr>
<td>Ln Size</td>
<td>0.122</td>
<td>No heteroscedasticity exists</td>
</tr>
<tr>
<td>Ln Ownership Concentration</td>
<td>0.455</td>
<td>No heteroscedasticity exists</td>
</tr>
<tr>
<td>Ln Foreign Ownership</td>
<td>0.398</td>
<td>No heteroscedasticity exists</td>
</tr>
<tr>
<td>Leverage</td>
<td>0.732</td>
<td>No heteroscedasticity exists</td>
</tr>
<tr>
<td>Ln Liquidity</td>
<td>0.910</td>
<td>No heteroscedasticity exists</td>
</tr>
<tr>
<td>Ln Profitability</td>
<td>0.621</td>
<td>No heteroscedasticity exists</td>
</tr>
<tr>
<td>Type of audit firm</td>
<td>0.561</td>
<td>No heteroscedasticity exists</td>
</tr>
</tbody>
</table>

source: data processing

Heteroscedasticity analysis done by Glejser method gives a result that most of p value or sig is greater than the significance level of 0.05. It means that most of the independent variable do not have heteroscedasticity problem. In
Malaysia and Singapore no single heteroscedasticity is found. In Indonesia, heteroscedasticity exists in the independent variable ‘Size’. Based on this situation, researcher conform the scatterplot diagram. The spread of dots is random and is not concentrate in particular pattern. Thus, based on Ghozali (2006) researcher conclude that heteroscedasticity problem in Indonesia is not significant.

C. Regression Analysis

Multiple regressions have been done to each country. Three summary of regression tests are described in the next page:
- Goodness of Fit

Determination coefficient ($R^2$) measures the extent of the independent variables that could be explained by dependent variable. $R^2$ will increase in every addition of independent variables, apart from whether the additional independent variables have no significant effect on the dependent variable. For two or more independent variables, it will be appropriate to use adjusted determination coefficient (Adjusted $R^2$) (Gujarati. 2003). Adjusted $R^2$ in Indonesia is 0,189; it means that the independent variables (ownership concentration, foreign ownership, size, leverage, type of audit firm, profitability, and liquidity) could explain the dependent variable (Voluntary Disclosure) as much as 18,9%. The rest of 81,1% is explained by other factors. Adjusted $R^2$ in Malaysia is 0,378. it means that the independent variables (ownership concentration, foreign
ownership, size, leverage, type of audit firm, profitability, and liquidity) could explain the dependent variable (Voluntary Disclosure) as much as 37.8%. The rest of 62.2% is explained by other factors. Adjusted R² in Singapore is 0.315, it means that independent variable (ownership concentration, foreign ownership, size, leverage, type of audit firm, profitability, and liquidity) could explain dependent variable (Voluntary Disclosure) as much as 31.5%. The rest of 68.5% is explained by other factors.

- Simultaneously Effect

Simultaneously effect of independent variables toward dependent variable is known by comparing Sig than 0.05. If Sig is less that 0.05, The independent variables are considered to have a simultaneously effect on the voluntary disclosure. The model could explain factors explaining voluntary disclosure only in Malaysia (0.004<0.05), but not in Singapore (0.204>0.05). In Indonesia, the independent variables are considered to have a simultaneously effect, but with 10% probability level (0.074<0.1).

- Partial Effect

Partial effect from each independent variable toward dependent variable is known from its t-statistic. If t-statistic is greater than t-table, it may be concluded that independent variable, partially, has a significant
effect toward dependent variable. Following will explained about the partial effect of each independent variable to dependent variable.

Ownership concentration has no significant effect on voluntary disclosure either in Indonesia. Malaysia or Singapore since its t-statistic are 0.448 (Indonesia), 0.643 (Malaysia) and -0.372 (Singapore) which are far below t-table (1,645), at 5% significance level. This result is consistent with the findings in Matoussi and Chakroun (2006). Matoussi and Chakroun (2006) found a weak positive relation between ownership concentration and voluntary disclosure. The finding of this study is different from the study by Ho (2008) who found that high ownership concentration has significant effect on voluntary disclosure. Ho (2008) found that the relation between ownership concentration and voluntary disclosure is positive. It means that the higher proportion of shares held by top five shareholders, the higher the level of voluntary disclosure.

Foreign ownership has no significant effect in Indonesia and Malaysia on voluntary disclosure since its t-statistic are 0.79 (Indonesia) and -1.003 (Malaysia) which are far below t-table (1,645), at 5% of the significance level. This is consistent with Cooke (1989) and Bogdan et al, (2008). Bogdan et al (2008) found that companies with a majority of foreign ownership do not have a high level of voluntary disclosure. In Singapore, foreign ownerships found to have significant effect on
voluntary disclosure since its t-statistic is 1,711, at 5% of the significant level. The relation between foreign ownership and voluntary disclosure is positive as expected by researcher. Disclosure practice should be encouraged in order to attract funds from foreign investors.

Size has significant effect on voluntary disclosure in Indonesia, Malaysia and Singapore since its t-statistic are 3,06 (Indonesia), 3,772 (Malaysia) and 2,986 (Singapore) which are greater than the t-table (2,326), at 1% of the significance level. Size has been found to be very significant variable in most studies with a positive association between size and voluntary disclosure (e.g. Wallace, 1994; Camferrman and Cooke, 2002; Yuliansyah and Megawati, 2007). Size is also found to have significant effect on specific area of disclosure (e.g. Kusumawati, 2006). Large companies tend to disclose more information because they have greater exposure and public scrutiny and respond with increased disclosure (Camferrman and Cooke, 2002). The relation between size and voluntary disclosure is positive as expected by researcher. Big companies face more complex agency problem, thus, voluntary disclosure may mitigate this problem by standing as one of the effective communication tools of company.

Leverage has no significant effect on voluntary disclosure either in Indonesia, Malaysia or Singapore since its t-statistic are 0,179 (Indonesia), 0,163 (Malaysia) and -1,066 (Singapore) which are far below t-table
Leverage has no significant effect on voluntary disclosure in Indonesia, Malaysia or Singapore since its t-statistic are 0.48 (Indonesia), -0.157 (Malaysia) and 0.887 (Singapore) which are far below the t-table (1,645), at 5% of the significance level. This is not consistent with Wallace et al. (1994) who found that liquidity affects voluntary disclosure, the relation is negative. Predicted signs are various among three countries, positive in Indonesia and Singapore, but negative in Malaysia. Positive relation between liquidity and voluntary disclosure is consistent with signaling theory.

Profitability (ROE) has no significant effect on voluntary disclosure in Indonesia and Singapore since its t-statistic are 0.741 (Indonesia) and -0.495 (Singapore) but found to be significant in Malaysia (1,646), at 5% of the significance level. This finding is consistent with Haniffa and Cooke (2000). The relation between ROE and voluntary disclosure is positive as expected by researcher, except in Singapore. The positive
result in Malaysia is also consistent with signaling theory, firms with high profitability tend to disclose more as an act to send a good signal to investors.

Auditor type has no significant effect on voluntary disclosure in Indonesia, Malaysia and Singapore since its t-statistic are -0.166 (Indonesia), -0.774 (Malaysia) and 1.171 (Singapore) which are far below t-table (1.645), at 5% of the significance level. This result is not consistent with Barako (2007) who found that the type of audit firm is significant to affect voluntary disclosure. Predicted positive signs are found only in Singapore. It implies that Big Four auditors do not only do their job as an external auditor, but also encourage firms to have better disclosure.

CHAPTER V
CONCLUSIONS

A. Conclusions

As mentioned in the previous chapters, this research aims at revealing the influence of firm characteristics toward the extent of voluntary disclosure. Samples were taken from annual reports of companies listed in IDX, MYX and SGX, at the end 2007. From the regression analyses that were done, this
research has reached several conclusions. Firstly, the overall average of voluntary disclosure is generally low. This finding is consistent with Ho (2008) who conducted a disclosure study in Malaysia and Yuliansyah & Megawati (2007) who conducted a study in Indonesia. Indonesia has the highest disclosure index (18.19%) followed by Singapore (15.8%) and Malaysia (14.1%). Achievement disclosure index in three countries are less than 20%.

Secondly, five categories in Botosan index (background information, summary of historical result, nonfinancial information, projected information and management discussion analysis) are found on annual reports in three countries. In Indonesia, the most disclosed item is ‘management discussion and analysis’ while the ‘summary of historical result’ is the least disclosed items. It means that no companies disclose summary of historical financial result before the last five years. In Malaysia, the most disclosed item is ‘background information’ while the least disclosed item is ‘summary of historical result’. In Singapore the most disclosed item is ‘management discussion and analysis’ while the least disclosed item is ‘projected information’.

Finally, ownership concentration, foreign ownership, leverage, liquidity, profitability and type of audit firms, simultaneously, affect voluntary disclosure in Indonesia (probability level 10%) and Malaysia, but not in
Singapore. Size is the only variable that is found to have effect on voluntary disclosure in Indonesia. It means that the extent of disclosure in Indonesia is influenced most by outside factors than a firm characteristic itself. Size and profitability found to have effect on voluntary disclosure in Malaysia. It means that big and profitable companies tend to disclose more in Malaysia. Disclosure is a signal from companies to stakeholders about good companies’ condition in order to achieve trust from stakeholders. Size and foreign ownership found to have effect on voluntary disclosure in Singapore. This result is not surprising because Singapore is dominated by foreign companies and foreign affiliated companies.

B. Research Constraints

Some of research constraints in this research are:

1. The samples are small, especially in Indonesia. Not all listed companies in Indonesia publish their annual reports to public or even have a company website. The access to companies’ information, especially annual report is limited.
2. This study focused on one avenue of company disclosure, namely corporate annual reports. The extent to which companies voluntarily release information through other means such as the media and the internet is not examined in this study.

C. Research Suggestions

The following are suggestions to future research development:

1. Future research can enlarge sample size and get access to companies. This includes expanding countries examined (e.g. Asia-Pacific, ASEAN), using comparison approach. Future research can examine the extent of corporate disclosure in other media in addition to that of annual reports. For example, study on the extent of disclosure released by companies via internet.
References


Ghozali, Imam. 2006. Aplikasi Analisis Multivariat dengan Program SPSS. Diponegoro University.


