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DETERMINANTS OF CORPORATE DISCLOSURE

EVIDENCE FROM INDONESIA

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Abstract

Objective This research investigates the level of corporate disclosure in Indonesia and to determine the relationship between disclosure levels and factors that affecting it regarding corporate characteristics. Moreover, this research also investigates firms' disclosure practices compliance with regulations published and determines the characteristics of companies that disclose more (less) information than mandatorily required.

Method This research uses samples from companies listed in Kompas 100 from 2007 to 2012. The annual report is obtained for corporate disclosure information. In addition to that, some information regarding firm's size, leverage, profitability, ownership structure and size of auditing firm such as total assets, total liabilities, operating income, composition of shareholders and auditing firm are extracted from corporate annual report. Moreover, a total of 6 hypotheses have been elaborated and tested using multiple regression model.

Result There is still lack of compliance with regulation published regarding corporate disclosure practice in Indonesia by looking at the result shown that only 10 percent of samples did fully disclose 25 mandatory items. Additionally, corporate characteristics do affect corporate disclosure level in Indonesia. In particular, this study found that company's size and leverage are significantly associated with all three dependent variables which are total, mandatory and voluntary disclosure level. While the other corporate characteristics such as profitability, ownership structure, size of auditing firm and industry category are in varies to be significantly associated with all three disclosure levels used in this research.

Conclusion In conclusion, not all Kompas 100 companies in Indonesia disclose information as regulated or mandated. Moreover, their levels of disclosure are affected by several corporate characteristics such as company's size, profitability, ownership structure, leverage, size of auditing firm, and industry category. However, they vary between each model.

Key Words Corporate Disclosure, Mandatory Disclosure, Voluntary Disclosure, Corporate Characteristics