PROFITABILITY AND CORPORATE GOVERNANCE DISCLOSURE: AN INDONESIAN STUDY

Dwi Novi Kusumawati
Prasetya Mulya Business School

Abstract

This research aims to test empirically the relationship between profitability and the level of corporate governance voluntary disclosure. There are two streams of research regarding the direction of relationship between those two variables, making it interesting to be test statistically in the context of corporate governance disclosure. The GCG disclosure level is measured using 161 items recommended by GCG Codes which are developed by KNKCG (2001). Data are taken from annual reports 2002. The result shows that, after controlling the model by several variables usually used in the disclosure research, profitability are negatively correlated with GCG disclosure. In other words, companies tend to give more comprehensive GCG disclosure when facing a slowdown in profitability measurements. Therefore, market have to take cautious in considering the GCG disclosure given by public companies since it could be used by management to cover bad performance.

Keywords: Corporate Governance, Voluntary Disclosure, Profitability
1. INTRODUCTION

Disclosure management is one of strategic planning that has to be carefully considered by management, especially for management of public companies. Any information published to the market could create market perception which, afterwards, could give an advantage or disadvantage for the company itself. Many researches have been conducted in the field of disclosure. Those researches could be divided into two categories. The first category is studies examining factors affecting management disclosure decision, and the second one is studies examining effect of disclosure to various economic events or market reaction to the disclosure.

Based on the type of disclosure, previous studies could also be divided into studies examined disclosure in general, both mandatory and voluntary, and studies examined certain type of disclosure, such as financial disclosure, social responsibility disclosure, environmental disclosure, etc. This study investigates one kind of disclosure that has not been researched much but getting more attention recently, which is good corporate governance (GCG) disclosure.

Corporate governance, terms that is being concerned internationally since the revelation of many international scandals such as Enron and WorldCom. Corporate governance is not a new term or an innovation, but the public awareness of its importance has just been built recently. This awareness has pushed standard setters in many countries to develop and improve the corporate governance practices. In Asia, corporate governance practices even has become the important element of economic remodeling in overcoming economic crisis (FCGI, 2002).

Indonesia has also responded the market demand of good corporate governance pratice by forming a committee in 1999 that is assigned to formulate and recommend national codes on good corporate governance. This committee, Komite Nasional tentang Kebijakan Corporate Governance (KNKCG), has published corporate governance codes on 2001 as guidance for Indonesian companies in implementing good corporate governance principles. The adoption of this copes is voluntarily, except for several parts that has been obligated by national standard setters such as Bapepam or JSX.

Labelle (2002) shows that the determinants of disclosure quality of corporate governance practice may not be the same as the determinants of financial disclosure decision aspects. Therefore, it is necessary to investigate whether the factors
affecting level of financial disclosure also become the factors affecting level of corporate governance disclosure. Specifically, this study is aimed to test whether profitability variable has the same direction of relationship with corporate governance disclosure as with financial disclosure.

Kusumawati and Riyanto (2005) have attempted to test empirically the effect of GCG disclosure to market value of the firm. The result suggested that market respond the GCG disclosure positively. Market value of the firm was measured by market to book ratio, one ratio that measure how much market, or the investors, value one company compared to its book value. Therefore, it is interesting to test whether the company, on the contrary, also gives something more back to investors. One of the returns that is expected could enhance shareholders’ value is profitability.

Profitability is one variable that is extensively being researched in many disclosure studies. Most of the studies conducted in financial disclosure proved positive relationship between profitability and financial disclosure level (Shinghvi and Desai, 1971; Lang and Lundholm, 1993; Ahmed and Courtis, 1999; Haniffa and Cooke, 2002; Miller, 2002). Studies conducted on other type of disclosure, such as social and environmental disclosure gives mixed result though most studies recently gives negative correlation between those two variables.

Study examined the relationship between corporate performance and corporate governance disclosure has been conducted by Bujaki and McConomy (2002) in Canada. Using revenue as measurement, the study suggested that firms facing a slowdown in revenues tend to increase their disclosure of corporate governance practices, consistent with an effort to reassure investors and relieve share price pressure (Beneish, 1997 in Bujaki and McConomy, 2002). Moreover, the study also revealed that firms manage corporate governance disclosure subsequent to an apparent failure, to ensure that they have more comprehensive corporate governance disclosures thereafter.

Based on previous studies described before, it is interesting to examine the relationship between profitability and GCG disclosure level. Moreover, it is interesting to test the direction of that relationship since the research in corporate governance disclosure has not been conducted much. Therefore, the research question of this study is whether profitability affects the level of corporate governance voluntary disclosure in Indonesia.
2. LITERATURE REVIEW AND HYPOTHESIS

2.1. Profitability and GCG Disclosure

Voluntary disclosure has been researched in many studies. There are many factors hypothesized as the influencing factors in disclosure decision making of management. Most of the literature investigates firms’ specific characteristics as primary variables affecting the level of voluntary disclosure (Singhvi and Desai, 1971; Chow and Wong-Baren, 1987; lang and Lundholm, 1993; Meek et al., 1995; Craig and Diga, 1998, etc). Haniffa and Cooke (2002) divide firms’ specific characteristics into 3 parts, which are corporate structure, corporate performance, and market-related firms’ specific characteristics. This study will focus on corporate performance characteristic, as measured by profitability, while the other characteristics will be used as control variables.

The effect of corporate performance on disclosure level could be positive, negative, or constant (Lang and Landholm, 1993). The positive relationship is based on assumption that company will disclose more when it has good or extraordinary performance. This relationship is supported with adverse selection theory which predicts that with certain disclosure cost, high-performed companies will give disclosure while companies below the expectation will not disclose.

Well performed companies also being motivated to differentiate themselves from other companies in order to enhance their capital with the best-achievable terms. In this case, they are aimed to reduce their own cost of capital by giving more disclosure to the market. Therefore, well performed companies are expected to disclose more information about their performance (Meek et al., 1995).

Certain types of negative information, especially earnings, could also being disclosed voluntarily by the firms in order to reduce litigation cost. This hypothesis supports negative correlation between performance and disclosure level. Disclosure is also hypothesized that it could reduce cost of capital through the reduction of information gathering cost by investors. This cost reduction could enhance the amount of investors willing to invest on the company, thereafter could enhance liquidity and decrease the cost of capital. In this point of view, then, company performance will not affect disclosure level.
2.2. Pimary Hypothesis

Most of the studies previously discussed support the positive relationship between corporate performance (profitability) and disclosure level in annual report. Study conducted by Ahmed and Courtis (1999) which combined 12 profitability studies suggests that profitability, in general, having positive and significant relationship with voluntary disclosure level. However, this relationship is not found, or insignificant, in the disclosure study combined mandatory and voluntary disclosure.

Studies mentioned before are conducted on financial disclosure. Study in the specific type of disclosure, corporate governance disclosure, has been conducted by Bujaki and McConomy (2002). The study reveals that firm facing a slowdown in revenues tends to increase their disclosure of corporate governance practices. Moreover, firms suffering serious corporate governance failures tend to provide extensive disclosure of governance guidelines implemented in the period after such failures.

Jackson and Carter (1995) stated that the contemporary interest in corporate governance is, in significant part, activated because of the revelation of many scandals in the world of business. The interests intended to be served by such monitoring are those of shareholders. The favoured approached to improving corporate governance is to increase the light cast on corporate practice. The favorite metaphor is that of transparency, making the invisible visible. But, by illuminating some things, other things inevitably become cast in shadow.

Corporate governance can be seen as intended to throw light upon aspects of corporate practice, by means of transparency or disclosure. But, if the light to be cast is selective, it becomes appropriate to ask, on what grounds is selection made, and who are to be the arbiters of what should be disclosed (Jackson and Carter, 1995). This management of light and shadow (chiaroscuro in art) makes some issues visible and conceals others. Thus, in the case of corporate governance disclosure, do companies experiencing bad performance use this light-and-shadow management in making decision of corporate governance disclosure?

Since the studies supporting positive relationship between profitability and disclosure are conducted in financial disclosure field, the hypothesis of this study will be in the form of negative relationship. It is also consistent with previous
research and arguments in the corporate governance disclosure field. Thus, the primary hypothesis could be stated as follows.

\[ H_1: \text{Profitability negatively affects the GCG disclosure level in annual report.} \]

2.3. Controlling Variables Hypotheses

As stated previously, there are many studies have been conducted in the disclosure studies. Firm specific characteristics are the primary variables found to be affecting disclosure level. Therefore, there are several control variables that have to be included in the model to better understand the effect of primary variable, which is profitability. The control variables used in this study are size, listing status, auditor status, industry, and dispersed ownership level. Those variables are taken from disclosure literature whose arguments are considered to be relevant in the corporate governance disclosure case.

**Size.** One assumption that supports the relationship between size and disclosure level is that the disclosure cost will decrease along with the increase of disclosure level (Lang and Lundholm, 1993). Besides the disclosure cost, the size hypothesis is also supported with information spreading cost theory, competitive disadvantage theory, transaction cost theory, and agency theory.

\[ H_2: \text{Size positively affects the GCG disclosure level in annual report.} \]

**Listing status.** It is defined as whether the company is listed in other countries or not. Corporate governance has been practiced abroad for quiet long time, especially in America and Europe, while in Indonesia (or Asia) corporate governance is still a relatively new issue and is just debated since the economic crisis. Therefore, it is expected that companies listed in foreign stock exchange will tend to practice and disclose GCG information as a result of the force given by international investors and standard setters.

\[ H_3: \text{Listing status positively affects the GCG disclosure level in annual report.} \]

**Auditor status.** The auditor used by companies also has positive relationship with the level of disclosure (Haniffa and Cooke 2002). Big-Four accounting firms are said to have the power to insist companies to reveal more information because they have more skills and experience to audit the information, and because they have
to retain their reputation. Therefore, auditor could act as a border of management opportunistic behavior (Watts and Zimmerman, 1986).

This research do not use auditor status defined as the Big-Four firms, instead it defined as whether the company is audited by accounting firm affiliated with foreign accounting firms or not. The argument used is because it is assumed that foreign accounting firms have already had more experience and knowledge on corporate governance issues compared to local accounting firms.

\[ H_4 \]: Auditor status positively affects the level of GCG disclosure in annual report.

**Industry.** The variation of disclosure level is more being influenced by the sensitivity of one industry to political costs (Craig and Diga, 1998). Companies that are more sensitive will be forced to give more information than other companies in other industries. Disclosure could also vary and will be higher in certain industries that is regulated and monitored by government. Studies about the difference of disclosure level based on industry have been conducted by Meek et al. (1995), Craig and Diga (1998), Haniffa and Cooke (2002), Rahman and Hamdan, and Bujaki and McConomy (2002). All of those studies, in the financial voluntary disclosure, give a significant result.

\[ H_5 \]: Industry type affects the GCG disclosure level in annual report.

**Dispersed ownership level.** The agency theory states that disclosure will be higher for companies which have more dispersed ownership (Haniffa and Cooke 2002). It happen because with dispersed ownership, the owner will demand more disclosure to monitor management opportunistic behavior compared to companies that have more centralized ownership.

This variable has also being investigated by Labelle (2002) specifically in the case of corporate governance disclosure. Labelle (2002) posits that managers of management-controlled (diffused ownership) company could use their control of information disclosed to public in the most favorable and defensible manner. This argument shows that companies with more dispersed ownership have bigger interest in providing more qualified information compared to owner-controlled companies.

\[ H_6 \]: Dispersed ownership level positively affects the GCG disclosure level in annual report.
3. **Research Methods**

3.1. **Research Model**

The problem examined in this study is whether profitability affects voluntary GCG disclosure level. The relationship is controlled with other firm characteristics variables, which are size, listing status, auditor status, industry and dispersed ownership level. Those control variables are used because they have been empirically tested as having effect on disclosure level in many studies. The research model could be described in Figure 1.

INSERT FIGURE 1 HERE.

3.2. **Sample**

Sample is taken from annual reports 2002 published by public companies listed on Jakarta Stock Exchange. Annual report is used disclosure medium since previous research has found that the disclosure level in the annual report is positively correlated with disclosure level in other medium (Lang and Lundholm, 1993). Campbell (2000) also notes that annual reports are the most widely distributed of all publicly produced documents of an organization (Bujaki and McConomy, 2002). All companies are treated the same, regardless their industry, since it will be controlled by controlling variables.

3.3. **Operational Definitions and Measurements of Variables**

The measurement of GCG voluntary disclosure level variable is based on items in the GCG Codes recommended by KNKCG 2001. Explicitly, KNKCG (2001) stated that the Codes are developed using method that is enabling companies to enhance and adopt GCG standards which are more constructive and flexible, and not using the regulation that could force companies to implement them. Thus, the adoption of the Codes is voluntary in nature for public companies, except for several parts of the Codes that has been obligated by Bapepam or JSX, such as the regulation about independent commissioner, audit committee, and corporate secretary. Therefore, all items that have been regulated by other standard setters have been excluded from GCG disclosure level measurement.

For each items recommended by the Codes (the most detail items), a company will be given one point if it disclose certain item and zero if it doesn’t give...
any disclosure concerning that item. The total items being used as benchmark are 161 items. In summary, the transparency items could be described in Table 1.

The definition of disclosure level in this study is the amount of GCG information disclosed in annual report both directly and indirectly. It means that the point given to company stated GCG information explicitly in the corporate governance chapter of the annual report will be the same as the company stated that information implicitly in the other chapters of annual report such as notes to financial statement, management report, etc. The total points given to certain annual report becomes the proxy of GCG disclosure level of a company.

The profitability construct are being measured by return on equity (ROE) ratio. The selection of this ratio is based on the argument that the primary interest intended to be served by corporate governance are those of shareholders (Jackson and Carter, 1995). This focus of shareholders has also being explicitly stated by KNKCG (2001), which said that the objective of GCG Codes are “…..to maximize firm value and firm value for shareholders…..”. Therefore, this study will use ROE since this ratio measure the rate of return earned by shareholders.

3.4. Data Analysis Methods

The statistic method being used is multiple regressions analysis. The regression equation developed empirically test the relationship between firm’s specific characteristics and disclosure level. The primary characteristic being focused is profitability while the other characteristics will be considered as control variables. The regression equation could be notated as follows.

\[
GCG = a + b_1 \text{PROFIT} + b_2 \text{SIZE} + b_3 \text{LISTING} + b_4 \text{AUDIT} + b_5 \text{INDUSTRY} + b_6 \text{DISP} + e
\]

- \text{GCG} : GCG disclosure level in annual report
- \text{PROFIT} : profitability, measured by ROE
- \text{SIZE} : company’s size, measured by total assets at period end
- \text{LISTING} : foreign listing status (dummy, 1 if listed in foreign company)
- \text{AUDIT} : external auditors’ affiliation status (dummy, 1 if affiliated)
4. RESULT AND ANALYSIS

4.1. Descriptive Statistics

Descriptive statistics of all variables could be found in Table 2. GCG disclosure level used in this research is the same GCG level used in Kusumawati and Riyanto (2005). From the table, it seems that the company gives GCG information about 13-14 items in annual report (mean=13.59) from all 161 items that could be disclosed regarding the KNKCG codes (8.44%). The highest score is 51 points while the lowest one is 0 points which shows that there is no indication of GCG practices or voluntary GCG disclosure.

Most companies were just giving minimal GCG disclosure in annual report since 50% of the samples have GCG level below the average and only 25% of the samples have GCG level of 18.25 points. The low level of GCG transparency could be caused by several reasons. It could be describe the real condition of low GCG practice in Indonesia, or it could be because management doesn’t perceive the annual report as the right media to disclose GCG practice. The other possibility is that GCG codes were established using the ideal picture of GCG practice in detail and it may be too costly for the company to disclose GCG practices in detail in the annual report.

INSERT TABLE 2 HERE

4.2. Regression Analysis

The initial equation doesn’t meet heteroscedasticity assumption of multiple regression as tested using K-B test (p-value = 0.022). Therefore, the dependent variable is then being transformed using log transformation. After excluded several outlier data (absolute standardize residuals > 1.96), the total sample used in the analysis is 134 data. The final equation then has met normality (Kolmogorov-
Smirnov test), heteroscedasticity (KB test) and multicolinearity (VIF and tolerance value). The result of regression assumption test is presented in Table 3 and Figure 2.

The result of multiple regression analysis is presented in Table 4.

As shown in table 4, profitability is marginally significant (10% significance level) regarding its relationship with GCG disclosure level (p-value = 0.065). The control variables that having very significant result (1% significance level) are company’s size (p-value = 0.000) and auditor’s status (p-value = 0.009). The other 2 control variables, listing status and dispersed ownership level, are marginally significant (p-value = 0.076 and 0.063). On the contrary, industry type is insignificant.

Profitability (H₁) is empirically affects GCG disclosure negatively. This result is consistent with the research conducted by Bujaki and McConomy (2002) stated that firms facing a slow-down in revenue will tend to disclose more about their corporate governance practices in annual report. This result also consistent with the “light-and-shadow management” theory argued by Jackson and Carter (1995) implying that management will try to shed light to corporate governance practices disclosure in order to put the bad performance in shadow.

Size (H₂) affects GCG positively, as predicted in hypothesis and positive theory. This result is consistent with previous corporate governance disclosure studies (Labelle, 2002; Bujaki and McConomy, 2002) and also consistent with previous disclosure studies in general, both abroad (Shinghvi and Desai, 1971; Chow and Wong-Boren, 1987; Lang and Lundholm, 1993; Meek et al., 1995; Craig and Diga, 1998; Ahmed and Courtis, 1999; Haniffa and Cooke, 2002; Chou and Gray, 2002; Rahman and Hamdan) and in Indonesia (Sabeni, 2002; Fitriany, 2001; Marwata, 2001; Hadi and Sabeni, 2002; Gunawan, 2000).

The other firm’s specific characteristic which also has a very significant result is auditors’ status (H₄). The positive coefficient of these variables implies that companies using internationally affiliated public accounting firms give higher GCG transparency compared to the unaffiliated one. Therefore, H₄ is supported, which is consistent with most of previous studies in the area of disclosure in general (Shinghvi

Listing status (H_3) shows a marginally significant result. This result implies that foreign listed companies give higher GCG transparency than companies which are only listed in JSX. However, the conclusion derived from this hypothesis should be interpreted carefully considering there are only 3 companies in the sample listed abroad, which make the data less representative.

The last hypothesis that is also marginally significant is the dispersed ownership level hypothesis (H_6). However, the coefficient of this variable is not consistent with the prediction. H_6 argues that dispersed ownership positively affects GCG transparency, while the regression analysis gives a negative relationship. This result is not consistent with Labelle (2002) though in that study the positive and significant result could only applied in 1 from 2 periods.

The only variable that is not significant is industry type (H_5, p-value 0.452). This is consistent with Labelle (2002) which posits that corporate governance disclosure is not sensitive to industry since the corporate governance itself is a general accepted practice. Previous Indonesian studies on disclosure in general also give insignificant result (Gunawan, 2000; Fitriany, 2001).

5. CONCLUSIONS

This study is aimed to test empirically whether profitability affects GCG voluntary disclosure level in annual reports. If it does, then in what direction is the relationship? This research question is very interesting to be tested empirically since there has not been many research conducted in corporate governance disclosure level yet. Most of previous disclosure studies are aimed to explore financial disclosure and environmental or social disclosure. While the financial disclosure stream proved that profitability affects disclosure level positively, the environmental and social disclosure proved other direction of the relationship.

This study finds that profitability affects GCG voluntary disclosure level negatively. It implies that when companies are facing decline in profitability, they will tend to give more disclosure about corporate governance practices in order to relieve the market pressure. The result is consistent with other research on GCG voluntary disclosure conducted in Canada by Bujaki and McConomy (2002). The
result also supports the “light-and-shadow management” argued by Jackson and Carter (1995).

Interestingly, research conducted by Kusumawati and Riyanto (2005) using the same GCG disclosure index has proved that GCG disclosure, along with other corporate governance variables, is valued by investors. In other words, investors are willing to pay higher premium for companies that practice and disclose GCG information in the annual report. Therefore, investors or shareholders should take cautious against companies’ disclosure comprehensively since the disclosure itself could be used by management to shed light on something and to shadow the other things.

This study has several limitations. First, as stated by Healy and Palepu (2001), the measurement of transparency used in this study has several limitations. This method involves the judgment of researcher in the measurement process so that it will be very difficult to be replicated. Besides, this method usually could only be applied in one media of disclosure, such as annual report.

Second, the GCG codes developed by KNKCG (2001) are the ideal picture of good corporate governance that can be implemented by companies. This study could only make comparison between the ideal pictures with the practices disclosed by management. If the corporate governance practices stated in annual report are not the picture of actual implementation of corporate governance in the company, then the GCG score in this research will not represent the actual condition of corporate governance practices. Future research could use self-assessment checklist to measure actual GCG score and compare it with GCG score developed in this study to get better picture of the corporate governance practice in Indonesia.
REFERENCES


Dubiel, S. *Corporate Governance*: Terus Melangkah Sambil Mencari Cara Terbaik, dalam *The Essence of Corporate governance*.


*Padang, 23-26 Agustus 2006* 15

K-INT 14


FIGURE 1
Research Model

<table>
<thead>
<tr>
<th>Primary Variable</th>
<th>Voluntary GCG Disclosure Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability</td>
<td></td>
</tr>
<tr>
<td>Control Variables</td>
<td></td>
</tr>
<tr>
<td>Size</td>
<td></td>
</tr>
<tr>
<td>Listing status</td>
<td></td>
</tr>
<tr>
<td>Auditor status</td>
<td></td>
</tr>
<tr>
<td>Dispersed Ownership</td>
<td></td>
</tr>
</tbody>
</table>

TABLE 1
Summary of GCG Disclosure Items

1. Shareholders
   a. Shareholder Rights
   b. General Meetings of Shareholders
   c. Equitable Treatment of Shareholders
   d. Shareholders Accountability
   e. Appointment and Remuneration System of the Board

2. Board of Commissionaires
   a. Commissionaires Functions
   b. Commissionaires Composition
   c. Compliance to Articles of Association (AoA) and Law
   d. Meetings of Commissionaires
   e. Information for Commissionaires
   f. Other Business Relationship between Commissionaires and/or Directors and the Company
   g. Forbidden of Taking Personal Gain
   h. Appointment, Remuneration and Performance Evaluation of non-Directors Executives
   i. Committee Established by Commissionaires
3. **Board of Directors**
   a. Directors Roles
   b. Directors Composition
   c. Compliance to AoA and Law
   d. Forbidden of Taking Personal Gain
   e. Directors Meeting
   f. Internal Controls
   g. Directors Roles in Accounting
   h. Registers

4. **Audit Systems**
   a. External auditor
   b. Audit Committee
   c. Information
   d. Confidentiality
   e. Audit Regulations

5. **Corporate Secretary**
   a. Corporate Secretary Functions
   b. Qualifications
   c. Accountability
   d. Corporate Secretary Role in Disclosure

6. **Stakeholders**
   a. Stakeholders Rights
   b. Stakeholders Participation in Management Monitoring

7. **Disclosure**
   a. Timely and Accurate Disclosure
   b. Matters of Material Importance to Decision Making
   c. Compliance Disclosure to the Codes
   d. Disclosure of Price Sensitive Information

8. **Confidentiality**

9. **Insider Information**

10. **Business and Anti-Corruption Ethics**

11. **Donation**

12. **Compliance to Health Protection, Working Safety and Environmental Law**

13. **Equitable Working Opportunity**

   Notes: This is only the Summary (Sub-Title) of all 161 items used to measure GCG

---

**TABLE 2**

Descriptive Statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Std. Dev</th>
<th>Min.</th>
<th>Max.</th>
<th>25</th>
<th>50</th>
<th>75</th>
</tr>
</thead>
<tbody>
<tr>
<td>GCG</td>
<td>13.59</td>
<td>10.59</td>
<td>0</td>
<td>51</td>
<td>6</td>
<td>11</td>
<td>18.25</td>
</tr>
</tbody>
</table>

**Firm’s Specific Characteristics**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Std. Dev</th>
<th>Min.</th>
<th>Max.</th>
<th>Percentiles</th>
<th>Val</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability</td>
<td>-0.4946</td>
<td>0.0650</td>
<td>-93.83</td>
<td>18.84</td>
<td>0.000</td>
<td>0.065</td>
</tr>
<tr>
<td>Listing Status</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Auditor Status</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Industry</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Diffusion</td>
<td>29%</td>
<td>17%</td>
<td>1%</td>
<td>77%</td>
<td>16%</td>
<td>29%</td>
</tr>
<tr>
<td>Size</td>
<td>4.77E+12</td>
<td>1.61E+13</td>
<td>2.36E+10</td>
<td>1.26E+14</td>
<td>1.77E+11</td>
<td>7.07E+11</td>
</tr>
</tbody>
</table>

Notes: total sample: 138 data
TABLE 3
Multicolinearity and Heteroscedasticity Test

<table>
<thead>
<tr>
<th>Variables</th>
<th>Tolerance</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability</td>
<td>0.988</td>
<td>1.013</td>
</tr>
<tr>
<td>Listing status</td>
<td>0.919</td>
<td>1.089</td>
</tr>
<tr>
<td>Auditor status</td>
<td>0.944</td>
<td>1.059</td>
</tr>
<tr>
<td>Industry</td>
<td>0.948</td>
<td>1.055</td>
</tr>
<tr>
<td>Diffusion</td>
<td>0.964</td>
<td>1.037</td>
</tr>
<tr>
<td>Log Size</td>
<td>0.864</td>
<td>1.157</td>
</tr>
</tbody>
</table>

p-value Koenker-Bassett(KB) test = 0.123

FIGURE 2
Normality Test

Notes: p-value Kolmogorov-Smirnov = 0.200

TABLE 4
Regression Analysis

<table>
<thead>
<tr>
<th>Variabel Independen</th>
<th>Unstandardized Coefficient</th>
<th>Standardized Coefficient</th>
<th>t</th>
<th>Sig (1-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>-0.948</td>
<td>-</td>
<td>-2.147</td>
<td>0.017</td>
</tr>
<tr>
<td>Profitability</td>
<td>-0.005</td>
<td>-0.118</td>
<td>-1.523</td>
<td>0.065</td>
</tr>
<tr>
<td>Listing status</td>
<td>0.282</td>
<td>0.116</td>
<td>1.443</td>
<td>0.076</td>
</tr>
<tr>
<td>Auditor status</td>
<td>0.216</td>
<td>0.189</td>
<td>2.387</td>
<td>0.009</td>
</tr>
<tr>
<td>Industry</td>
<td>0.059</td>
<td>0.082</td>
<td>1.037</td>
<td>0.151</td>
</tr>
<tr>
<td>Diffusion</td>
<td>-0.253</td>
<td>-0.121</td>
<td>-1.545</td>
<td>0.063</td>
</tr>
<tr>
<td>Log Size</td>
<td>0.152</td>
<td>0.333</td>
<td>4.004</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Uji ANOVA : F = 6.979 (p-value 0.000)
Adjusted R^2 : 0.212

Variabel dependen : GCG disclosure level